VŠB – TECHNICAL UNIVERSITY OF OSTRAVA
FACULTY OF ECONOMICS

DEPARTMENT OF EUROPEAN INTEGRATION

EU Cohesion Policy in Spain During the Period 2007-2020

Politika hospodářské a sociální soudržnosti EU ve Španělsku v období 2007-2020

Student: Bc. Elena Corsak

Supervisor: Ing. Lukáš Melecký

Ostrava 2014

VŠB - Technical University of Ostrava
Faculty of Economics
Department of European Integration

Diploma Thesis Assignment

Student: **Bc. Elena Corsak**

Study Programme: N6202 Economic Policy and Administration

Study Branch: 6210T004 European Integration

Specialization: 00 European Integration

Title: EU Cohesion Policy in Spain During the Period 2007-2020
Politika hospodářské a sociální soudržnosti EU ve Španělsku v období 2007-2020

Description:

1. Introduction
2. Theoretical basis of the EU Cohesion policy during the years 2007-2020
3. Socio-economic characteristics and regional structure of the Kingdom of Spain
4. Implementation of the EU Cohesion policy in Spain in the programming period 2007-2013
5. Implications of the EU Cohesion policy 2014-2020 for Spain
6. Conclusion

References
List of abbreviations
Statement about the use of diploma thesis outcomes
List of enclosures
Enclosures

References:

ARGUELLES VELEZ, Margarita. *Economia y Politica Regional en España*. Madrid: Delta, 2010. 216 p. ISBN 978-84-92-45331-3.
GOBIERNO DE ESPAÑA. MINISTERIO DE HACIENDA Y ADMINISTRACIONES PÚBLICAS. *Marco Estratégico Nacional de Refencia 2007-2013*. Madrid: DGFC, 2007. 227 p.
MOLLE, Willem. *European Cohesion Policy*. London: Routledge, 2007. 342 p. ISBN 978-0-415-43812-4.

Extent and terms of a thesis are specified in directions for its elaboration that are opened to the public on the web sites of the faculty.

Supervisor: **Ing. Lukáš Melecký**

Date of issue: 22.11.2013
Date of submission: 25.04.2014

VYSOKÁ ŠKOLA BÁŇSKÁ-TECHNICKÁ UNIVERZITA OSTRAVA
Ekonomická fakulta
1

Ing. Boris Navrátil, CSc.
Head of Department

prof. Dr. Ing. Dana Dluhošová
Dean of Faculty

‘Hereby I declare that I elaborated the entire thesis, including all enclosures, independently. On the list of references, I mention all the books and electronic resources that have been used.’

In Ostrava, 25th April 2014

....

Bc. Elena Corsak

Hereby I would like to express my gratitude and thanks for assistance and consultations to my diploma thesis supervisor Ing. Lukáš Melecký. I owe special thanks to Ing. Jiří Ksenič, the author of thesis' opponent review.

Content

1 Introduction

Since the Single European Act of 1986, Cohesion Policy has become a cornerstone Union policy and the quintessential expression of solidarity among European Union (EU) Member States, regions, territories and ordinary citizens.

The fundamental objective of the EU Cohesion Policy is to strengthen economic and social solidarity in the Community, ensure the harmonised development of the overall Community and close the development gap of less-favoured regions. The Cohesion Policy and its supporting system of is the key means for ensuring the strengthening of economic and social convergence.

The objective of the EU Cohesion Policy according Articles 158-162 of the Maastricht Treaty aims at reducing regional development disparities within the EU, decreasing disparities in living standards, i.e. for the European Union to ensure a dignified average standard of living and income for citizens in all EU regions.

Naturally, there are many different structures within the EU; therefore, beyond economic and social differences, linguistic, cultural, geographic and natural differences make certain disparities only natural. In compliance with the principle of 'unity in diversity', the objective of the EU does not pertain to eliminating characteristic differences, but instead relates to reducing disadvantages ensuing from this by developing the competitiveness of less-favoured regions – by granting funding for development investments – reducing income disparities, reducing or eliminating permanent under-development manifested on the basis of numerically quantifiable economic characteristics.

The **main goal** of diploma thesis is to introduce, describe and compare the EU Cohesion Policy in Spain in the programming periods 2007-2013 and 2014-2020. Spain, as a Member State of the European Union, has fully participated in the distribution of the corresponding Community aid of the Structural Funds from 1989 to date, along the different programming periods (1989-1993, 1994-1999, 2000-2006, 2007-2013 and the current period 2014-2020). Spain has been one of the EU countries most benefited by EU Structural Funds from all Member States, which has had positive effects on the Spanish economy as a whole and for the territorial cohesion. To understand the changes that are carried out under the Cohesion Policy, this thesis compares the functioning of last and current programming period.

Each programming period is characterized by new approaches, aims and tools that are based on previous experience with implementation of this policy on the EU grounds. The **hypothesis** of diploma thesis is built on fact whether Spain, after five years of implementing the programming period 2007-2013, in accordance with the results observed on the data on total expenditure declared to 31^{st} December 2011, has drawn the EU Structural Funds effectively, i.e. if Spain has exhausted at least 50 % of the provided nominal allocations.

Methodological issues of diploma thesis, based on the basic methods of scientific approach, have been appropriately selected for individual part of the thesis. To achieve the objective of the thesis, synthesis, analysis, generalization, deduction and comparison approaches have been used.

This thesis is divided into four main chapters and it is organized from the highest European level through the national level to the lowest regional level of the EU Cohesion Policy. The theoretical second chapter mentions the genesis, the history and the proposal of the EU Cohesion Policy. Chapter also describes the programming period 2007-2013 and 2014-2020. The last part of this chapter brings a comparison about the EU Cohesion Policy between two mentioned programming periods: the legislative and financial framework, objectives and geographical eligibility, instruments and programming structure.

The subject of the third chapter depicts the socio-economic analysis of Spain. It is about the political and administrative structure of the state as well as description of regional structure. There also incorporated the Nomenclature of Territorial Units for Statistics for Spain, which plays an important role for the EU Cohesion Policy.

Implementation of the EU Cohesion Policy in Spain in the programming period 2007-2013 reported in the fourth chapter. In this chapter is shown how Spain has implemented the EU Cohesion Policy in the last period. There is an overview of the National Strategic Framework, Financial outlook, Spain's Reform programme, Operational Programmes and the evaluation of that programming period.

In the fifth chapter is described the impact of the EU Cohesion Policy 2014-2020 in Spain. The subject of this chapter overwrites the implications for Spain in present period and provides a comparison of the EU Cohesion Policy in the programming period 2007-2013 and 2014-2020.

During processing of the diploma thesis there was foreign literature sources used, mainly current legislative acts of the EU institutions, national institutions and their regional authorities. Unfortunately there has been identified a lack of data and information about the evaluation of the EU Cohesion Policy in Spain during period 2007-2013. Most of the documents, if publicly available, are only presented in the Spanish language.

2 Theoretical Approaches of the EU Cohesion Policy

The entire second chapter of the thesis deals with the issue of the *European Union Cohesion Policy* (EUCP) in generally. Describes the history, reasons, and principles of programming and the importance of European Union Cohesion Policy. The aim of this chapter is understand how Cohesion Policy works in programming periods 2007-2013 and 2014-2020.

2.1 The role and importance of Cohesion Policy in the EU

Concept of the European integration started in the early 1950s from a fairly small basis of originally six countries. The founding member states are: Belgium, France, Italy, Germany, Luxembourg and the Netherlands. Now the *European Union* (EU) has changed quite a bit. In the course of time the number of Member Countries has gradually changed from previous six to the current twenty-eight. With the increase the European Union has extended the reach of its socio - economic policies to new geographic areas. Some countries are located in Central and Eastern Europe, the others in the middle of the Mediterranean Sea and provide a significant southern thrust to EU activities.

The EU is confronted with large cohesion problems because of existence of large regional disparities[1] between its Member States and regions. Some states that are less economically developed tend to stay so because their vulnerability in macro economic and monetary matters puts them at risk of having to adapt their policies to counteract important turbulence on exchange markets, with negative effects on economic growth. Large developed countries tend to be able to shield themselves, to a large extent, from such problems[2].

The *EU Cohesion Policy* is an intervention tool to reduce inequalities among the EU Member States and their regions on economic, social and territorial level to ensure their balanced development and equal opportunities for all their inhabitants.

[1] Regional disparities can be defined as differences in performance and prosperity of the economies of individual countries or regions.
[2] MOLLE, Willem. *European Cohesion Policy.* London: Routledge, 2007. 347 p. ISBN 978-0-415-43812-4, p. 19.

The EU Cohesion Policy is one of the greatest and most important EU policies, which belongs, with the *European Single Market Policy*[3] and the *EU Monetary Policy*[4] to the pillars of structure and functioning of the European Union. The Cohesion Policy is the result of **solidarity** among rich and poor member states and their regions, it is the EU policy and represents almost one third of the EU budget for selected programming period.

2.2 Genesis and history of the EU Cohesion Policy

Looking back to the origins of the *European Economic Community* (ECC)[5], **regional policy** appears to be the great absentee. Despite the recognition of the existence of a 'regional issue' in all European countries at the Messina convention of 1955 and the attention to regional policy in the Treaty of Rome (1957) was minimal. In the preamble, the founding signatories did declare their aim of 'reducing the differences existing between the various regions and the backwardness of the less favoured regions'. Article 2 of the Rome Treaty also specified that the Community was tasked with promoting a 'harmonious development of economic activities' and 'a continuous and balanced expansion' throughout the Community[6]. However, in the main body of Treaty, the regional issue was largely addressed indirectly, namely, through a series of provisions concerning specific sectorial policies such as agriculture, transport and state aid. The only financial instrument created by the Treaty of Rome to directly promote regional development was the *European Investment Bank* (EIB) [7], which had among its tasks that of granting loans for national government to undertake infrastructure projects and the European Social Fund[8] to provide aid to immigrant workers.

[3] The Single European Market is a type of trade bloc which is composed of common trade policy and freedom of movement of goods, services, labour and capital. All EU Member States are part of the Single European Market.
[4] European Monetary Union is a community of the EU Member States which share a common currency or its equivalent. The European Monetary Union currently consists of 18 EU Member States.
[5] Later European Union.
[6] EUROPEAN COMMISSION. *The turning points of EU Cohesion policy* [online]. 2009 [21.9.2013]. Available from: http://ec.europa.eu/regional_policy/archive/policy/future/pdf/8_manzella_final-formatted.pdf, p. 5.
[7] EIB is the European Union's non-profit Treaty of Rome. As a 'policy-driven bank' whose shareholders are the member states of the EU, the EIB uses its financing operations to bring about European integration and social cohesion. It should not be confused with the European Central Bank.
[8] ESF was created in the founding Treaty of Rome in 1957. It is the oldest of the Structural Funds. In the early post-war years, it concentrated on managing the migration of workers within Europe. Later it moved on to combating unemployment among the young and poorly qualified.

The EIB (art. 130) – its means the creation of new resources (the ‘capital’ factor) by:

- The improvement of less developed regions,
- the modernisation/conversion of enterprises,
- common interest projects for more Member States[9].

There are three main reasons for this rather vague and cautious approach to regional policy when the European Community was founded. The first one was related to the policy context of the time. While there were some important experiences in the field – the established British and North-American practices, as well as the emerging policy initiatives in France and Italy from the early 1950s – regional policy was still largely a nascent policy area.

A second factor was the prevailing economic orthodoxy, which was generally not supportive of the creation of a comprehensive regional policy at Community level. Instead, the emphasis was on the need for coordination of national regional policies. Moreover, there was a general and, arguably, over-optimistic feeling among the EC founders that integration would contribute to reducing regional disparities through the promotion of inter-regional trade[10].

During the first twenty years, between 1958 and 1977, the EIB concentrated 65 % of its loans for regional development projects, and two-thirds of these loans were located in the less favoured areas of the Community. The 1977 review of the ESF included among its programmatic priorities the development of projects in regions affected by grave problems of long-term unemployment[11]. Finally, it should not be overlooked that the World Bank was founded in this period and that, more generally, the early 1950s represented a period of great expectation about the capacity of Public Investment Banks to activate dynamics of growth in underdeveloped contexts.

[9] EUROPEAN INVESTMENT BANK. Compliance. *Eib.org* [online]. 2013 [21.9.2013]. Available from: http: http://www.eib.org/about/compliance/index.htm.
[10] EUROPEAN COMMISSION [online], 2009, ref. 6.
[11] EUROPEAN INVESTMENT BANK. EIB publishes an academic history of the Bank: The Bank of the European Union. The EIB, 1958-2008. *Eib.org* [online]. 2009 [21.9.2013]. Available from: http://www.eib.org/infocentre/press/news/all/50years_book.htm.

The first enlargement[12] and the objective of an Economic and Monetary Union, made the Heads of State and Government decide in October 1972 to create a *Regional Development Fund*. Based on article 235 of the Treaty[13], the Council agreed unanimously on the first *European Regional Development Fund* (ERDF) regulation in December 1974[14].

The European Regional Development Fund was created in 1975, reducing disparities among European regions in many various areas. The objective areas were for example to support small and medium-sized enterprises, infrastructure and innovations, promote regions and many others, and it is considered as the beginning of the European regional policy. The total agreed budget for the Fund was 1.3 bn of European Currency Unit (ECU) [15] over a three year period (1975-1977, 1978-1980 and 1981-1984), representing around 5 % of the Community budget.

The distribution of resources to each Member State was determined on the basis of a system of national quotas, setting out the percentage share allocated to each Member State. Table 2.1 presents the negotiated quotas of ERDF funds that the member states received during the period of 1975 till 1984.

Table 2.1: ERDF allocations to EEC-10 (1975-1984, % of total allocations)

Member states	1975-1977	1978-80	1981-84
Italy	40	39,4	35,5
United Kingdom	28	27	23,8
France	15	16,9	13,6
Greece	-	-	13
Germany	6,4	6	4,6
Ireland	6	6,4	5,9
Netherlands	1,7	1,6	1,3
Belgium	1,5	1,4	1,1
Denmark	1,3	1,2	1,1
Luxemburg	0,1	0,1	0,1
TOTAL	**100,0**	**100,0**	**100,0**

Source: LEONARDI, Robert, 2005, p. 42; own elaboration

[12] Ireland, Denmark and United Kingdom.
[13] Today's article 308.
[14] MOLLE, Willem, ref. 2, p. 41.
[15] EUROPEAN COMMISSION [online], 2009, ref. 6, p. 10.

Member States had to apply for ERDF support at project level. Decisions were then taken in a committee of Member States based on Commission proposals. Three actions were defined as eligible up to 50 % of public expenditure, and preferably to be carried out in national state aid areas[16].

The overall tendency was to distribute the funds among all member states irrespective of their problems with underdeveloped areas. However, the greatest change in ERDF allocations took place on the heels of accession into the ECC by Greece[17].

In response to enlargement of the *European Communities (EC)* at the same time when the EU Structural Policy specific plans in 2nd half of 80's were created, *the Single European Act* (SEA), which presented the first major revision of the original Treaties of Rome, was adopted. This provided the Structural Funds with a major cash injection and financial stability by doubling their budget over the 1989-1993 period. The *EU Structural Policy* had been integrated with a part of agriculture policy and social policy to ensure more coordination.

The EU enlargement process shows Enclosure 1. *The Maastricht Treaty* came into force in 1993 and the EU Cohesion Policy was directly introduced to primary law by this act and became an integral part of the *European agenda.* The EU Cohesion Policy consists of economic, social and, since *the Lisbon Treaty* was adopted in 2009, **environmental dimension**. This reform touched the whole concept of EU Cohesion Policy, from coordination of financial instruments, through the introduction of principles to functioning of the entire policy itself. Particular EU Cohesion Policy programming periods shows Table 2.2.

Table 2.2: EU Cohesion Policy programming periods (1994-2020)

Programming period	Years
1.	1994-1999
2.	2000-2006
3.	2007-2013
4.	2014-2020

Source: Own elaboration, 2013

[16] EUROPEAN COMMISSION. *History of the European Union Regional Policy* [online]. 2013a [21.9.2013]. Available from: http://ec.europa.eu/regional_policy/what/milestones/index_en.cfm.
[17] Greece joined the EU in 1981.

The Maastricht Treaty adapted the concept of Cohesion Policy for the coming programming period and to strengthen cohesion by establishing of *Cohesion Fund* (CF) to support infrastructure development and environmental protection. That document changed the face of EU Cohesion Policy towards flexibility and simplicity again.

2.3 Principles of EU Cohesion Policy

Cohesion Policy it is a policy of **solidarity** and **cooperation** - the vehicle for delivering regional aid. Through this policy, the EU seeks to ensure that: benefits of integration are as widely spread as possible and development is as balanced as possible in geographical terms. The EU founding fathers – representing the original 6 Member States[18] - already had the vision, set out in the Treaty. In the 1980s joined to EU Greece, Spain and Portugal. New countries brought increased regional disparities - funding became key means of bringing wealth up to EU average. In this years was made the adoption of single market programme and in the 1986 was signed in Luxembourg the *Single European Act* (SEA). SEA was the first major revision of the 1957 Treaty of Rome.

The Act set the European Community an objective of establishing a Single market by 31 December 1992. This provided the Structural Funds with a major cash injection and financial stability by doubling their budget over the 1989-1993 period. In 1988 European Council allocated 6.4 bn ECU to Structural Funds over 5 years. The Council adopted first regulation integrating on the Structural Funds and introduced **four key principles**. The 1988 reform introduced a number of principles for the Cohesion Policy and its instruments.

These principles are:

- **Concentration:** focusing on poorest regions;
- **Partnership:** involvement of regional and local partners;
- **Programming:** multi-annual programming;
- **Additionality:** EU expenditure must not substitute national.

[18] The founding members of the Community were Belgium, France, Italy, Luxembourg, the Netherlands, and West Germany.

In 1988 were **five priority objectives** agreed:

- **Objective 1:** promoting the development and structural adjustment of regions whose development is lagging behind;
- **Objective 2:** converting regions seriously affected by industrial decline;
- **Objective 3:** combating long-term unemployment;
- **Objective 4:** facilitating the occupational integration of young people;
- **Objective 5:** (a) speeding up the adjustment of agricultural structures and (b) promoting the development of rural areas.

Covering 25 % or about 86.2 million inhabitants, the funding provided by the ERDF, the ESF and The *European Agricultural Guarantee Fund* (EAGGF) under Objective 1 totalled 43.8 bn ECU (64 % of the total). Major beneficiary countries were Spain with an allocation of 10.2 bn ECU with 57.7 % of its population, followed by Italy, Portugal, Greece and Ireland. Smaller amounts were allocated to Germany, France and The United Kingdom (UK). The member states which have drawn from the Structural Funds in the period of 1988-1993 are shown in Enclosure 2.

Concentration was created on a series of five priority objectives, three of which were spatially restricted on the basis of Community-based eligibility criteria. **The Objective 1** (lagging regions) eligibility was based on regions having an average Gross domestic product (GDP) per head less than 75 % of the Community average.

The Objective 2 (industrial areas in decline) had three main eligibility criteria – unemployment rates, percentage of industrial employment and employment decline relative to Community averages and **Objective 5b** (rural areas) eligibility used the designation criteria of levels of socio-economic development, agricultural employment and agricultural income[19]. The trend in Regions Eligible for Structural Fund Support in the period 1989-1993 shows Table 2.3.

[19] EUROPEAN COMMISSION [online], 2009, ref. 6.

Table 2.3 indicates that over the 1989-93 period, there was some convergence between the performance of Objective 2 regions and the rest of the European Union. Analysis of trends in Objective 2 regions, however, is hampered by data problems. Statistics for small eligible areas (often below *Nomenclature of Units for Territorial Statistics*[20] (NUTS)) are not available on a harmonised basis. The analysis has therefore to rely on estimates which are generally more valid for certain series, such as unemployment rates, than others such as GDP and employment. It should be noted that the data shown in Table 2.3 for Objective 2 regions covers all NUTS 3[21] regions where at least 50 % of the population is eligible for Structural Fund assistance[22].

Table 2.3: Trends in regions eligible for EU Structural Funds' Support (1989-1993)

Regions	Unemployment (1986=100)	Unemployment Rate			GDP per Head (PPS) (EUR 12=100)		
		1986	**1991**	**1993**	**1986**	**1989**	**1991**
Objective 1	109	15,4	14,3	16,7	61	63	64
Objective 2	113	14,7	10,8	12,1	96	95	94
Objective 5b	107	8,3	6,1	7,3	84	82	83
Other Regions	106	8,4	6,4	8,0	117	117	116
EUR 12	**107**	**10,7**	**8,5**	**10,4**	**100**	**100**	**100**

Source: EUROPEAN COMISSION [online] 2010a; own elaboration

Programming, involving a shift from project assistance to supporting multi-annual programmes drawn up by the Member States in line with Community objectives and priorities and approved by the Commission.

Partnership, formally require the involvement of relevant regional and local authorities in programme formulation and implementation.

Additionality has to reconfirm the requirement to ensure that EU expenditure is not substituted for national expenditure.

The Structural Funds and objectives in the period of 1994-1999 are shown in Enclosure 3.

[20] is a geocode standard for referencing the subdivisions of countries for statistical purposes. The standard is developed and regulated by the EU, and thus only covers the member states of the EU in detail. NUTS is instrumental in the European Union's Structural Fund delivery mechanisms.
[21] NUTS 3: minimum population 150 000 and maximum 800 000.
[22] EUROPEAN COMMISSION. *Ex-Post Evaluation of the 1989-1993. Objective 2 programmes* [online]. 2010a [11.10.2013].Available from: http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/4_full_en.pdf.

2.4 EU Cohesion Policy in the programming period 2007-2013

The European Union's Cohesion Policy, built into the Treaties since 1986, has been given the objective of reducing the gap in the different regions' levels of development, in order to strengthen economic and social cohesion. With the integration of 10 new countries in 2004, then of Bulgaria and Romania in 2007, this attempt at harmonisation had to be reinforced. The main beneficiaries of the funds have been asked to contribute to the economic development of their new partners.

At the same time, the whole of the Union was facing up to the challenges resulting from the acceleration of economic restructuring following globalisation, the opening up of trade, the effects of the technological revolution, the development of a knowledge-based economy, of an ageing population and the growth of immigration.

To tackle these different challenges, new legislative provisions have proved necessary. For the period 2007-2013 it is composed of the following elements:

- A general regulation which defines common rules, applicable to the European Regional Development Fund, European Social Fund and the Cohesion Fund. Based on the principle of management shared between the Union, the Member States and the regions, this regulation offers a new programming process as well as new norms for financially managing, controlling and evaluating the projects. The Cohesion Policy is reorganised around three **new priority objectives:** convergence, regional competitiveness and employment, and European territorial cooperation;
- a regulation for each of the sources of financing (ERDF, ESF,CF and the Instrument for Pre-Accession Assistance (IPA);
- a new regulation creating a cross-border authority to carry out the cooperation programmes[23].

The *Community Strategic Guidelines* (CSG) and the *National Strategic Reference Framework* (NSRF) were the principal contributions to the new regulations; they offered a strategic dimension to the policy in the period of 2007-2013. The Member States and the regions were also invited to transform Community priorities into national priorities, all the while retaining their specificities.

[23] EUROPEAN COMMISSION. *Cohesion Policy 2007-2013. Commentaries and official texts* [online]. 2007 [20.01.2014]. Available from: http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2007/publications/guide2007_en.pdf.

The financial aid was concentrated on the EU strategy which was geared towards growth and employment[24]. Its major priorities were: research and technological development, innovation and the spirit of enterprise, a knowledge-based society, transport, energy, the protection of the environment as well as investment in human capital, employment market policy and improving worker and business adaptability. The European Commission was, in many respects, the guarantor of the implementation of this strategy across the whole programming so it was ensured that investments focus on priorities.

Cohesion Policy addresses major structural problems. For that reason it needs to have a long-term outlook that in turn requires a multi-annual framework. Indeed, annual rounds of budget and policy decisions with all their uncertainties would form too shaky a basis for such a policy. The EU has opted for a multi-annual framework that it revises every six to seven years. In the rest of this chapter I describe how the EU has adapted the framework of the 2007-2013.

2.4.1 Objectives and geographical eligibility of EU structural aid

The EU Cohesion Policy, as framed by constitutional provisions during the second stage of the policy cycle, had to be worked out in more concrete terms. At that stage the elaboration was done at the level of broad outlines and basic principles. They had an important status as they formed together with the constitution and the delivery system, the framework for the more implementation[25].

The highest concentration ever of resources on the poorest Member States and regions, the inclusion of all regions, and a shift in priorities was set to boost growth, jobs and innovation, were essentially the major changes to the EU Cohesion Policy during the period of 2007-2013. In the EU of 27 Member States, one in three EU citizens - 170 million in total – in 2007 lived in the poorest regions which received assistance under the 'Convergence' objective. Economic and social disparities had significantly deepened with the enlargements in 2004 and 2007. In terms of per-capita income, Luxembourg was in 2007 seven times richer than Romania. At the regional level, the difference was even bigger: the richest region was Inner London with 290 % of EU-27's per-capita income, while the poorest region was Nord-Est in Romania with 23 % of the EU average.

---

[24] Known as the Lisbon strategy.
[25] MOLLE, Willem, ref. 2, p. 133.

The European Council agreed in December 2005 on the budget for the period 2007-2013 period and allocated 347 bn EUR at present accounts (p.a.)[26] to Structural and Cohesion Funds of which 81.5 % were planned to be spent in the **Convergence** regions[27]. Based on simplified procedures, nearly all of the 436 programmes covering all EU regions and Member States were agreed before the end of 2007. The radical shift in their priorities means that a quarter of resources was earmarked for research and innovation and about 30 % for environmental infrastructure and measures combating climate change. The previous Structural Funds as well as Community initiatives for the period 2000-2006 give way to a new architecture which simplifies the system.

For that period this idea of denoting eligibility by the very specific character of problem had been put aside on the level of the design of the policy. The categories were directly defined in terms of objectives. Within these objectives there was much room for initiatives of all partners to address a whole range of problems[28].

The EU shows a considerable diversity in problem situations. Nevertheless, the major ones have somewhat similar over time. The situation in major problems and their corresponding objectives is as follows:

- Lagging region: *Convergence Objective*
    1. Most of these regions were traditionally backward, had failed to develop sufficient manufacturing or service industry and were oriented to agriculture.
    2. The first objective of the EU Cohesion Policy was to support structural improvement of the conditions in these long-standing problem regions and thereby speeding up their convergence to the EU mean. All regions with a GDP less than 75 % of the EU average were eligible for aid under this objective.

[26] 35.7 % of the EU budget.
[27] EUROPEAN COMMISSION. *EU Cohesion Policy 1988-2008: Investing in Europe's future* [online]. 2008a [15.10.2013]. Available from: http://ec.europa.eu/regional_policy/sources/docgener/panorama/pdf/mag26/mag26_en.pdf.
[28] MOLLE, Willem, ref. 2, p. 134.

- Restructuring regions: *Competitiveness and employment Objective*

    1. Some regions that have played a leading role at a certain stage of economic development by specializing in one role or other have landed in difficulties as production conditions for these sectors changed. Some of these changes were due to integration; others were the result of the continuous changes that occur in technology, in environment, in social values and in world politics. This type of regions was generally marked by inadequate infrastructure and serious problems in old industrial areas. Their GDP per head levels were often above the EU average and anyway above the 75 % of the EU mean thresh-old. **High unemployment** was the main indicator of distress here.

    2. So the second objective of EU Cohesion Policy was to prevent such regions sliding away by strengthening the regions' competitiveness, attractiveness for investment and thus employment. Regions eligible for aid under this objective used to be very strictly delimited.

- Eligible region: *European territorial cooperation Objective*

    1. These were characterized by a deficient connectivity. One group of such regions consists of border regions. Their problem stem first from differences in administrative system and traditions and second of deficient infrastructure between the EU Member States.

    2. So the third objective was the strengthening of territorial cooperation at the cross-border, transnational and inter-regional levels. Under this objective the whole area of the EU was in principle eligible[29].

Cross-border cooperation (CBC) embraced a geographical area larger than the previous Interreg III, mainly in so far as maritime cooperation was concerned.

[29] MOLLE, Willem, ref. 2, p.135.

The whole of Europe remains eligible for interregional cooperation, but a single programme was covered the whole of the European Union. Eligibility:

- **For cross-border cooperation:** NUTS 3 level regions were eligible, along all the land-based internal borders and some external borders, along maritime borders separated by a maximum distance of 150 km. The eligible regions for cross-border cooperation are shown in Enclosure 4;
- **For transnational cooperation:** all the regions were eligible but, in consultation with the Member States, the Commission has identified 13 cooperation zones, which shown Enclosure 5;
- **For interregional cooperation, and setting up networks and exchanges of experience:** all the European regions were eligible.

The three new objectives were incorporated the missions of the previous Objectives 1, 2 and 3 were replaced by three new Objectives: *Convergence, Regional Competitiveness and Employment and European Territorial Cooperation.* Most resources were targeted on the Convergence Objective[30].

2.4.2 Financial instruments

The EU Cohesion Policy is a dynamic investment policy of the Union aiming at promoting long-term sustainable growth in European regions through removing barriers to growth and facilitating structural adjustment. There has been an evolution in the forms of support and investment over the years to also offer certain types of revolving assistance to projects, where feasible, in the form of financial assistance instruments. Being able to deliver either grants or revolving assistance gives Cohesion Policy a flexible toolkit to deliver support in Member States and regions.

[30] 80 %, including the Cohesion Fund.

The spending on cohesion operates mainly through three types of financial channels:

1. EU Funds:
   a) Structural Funds: ERDF and ESF;
   b) Cohesion Fund;
2. Financial instruments and initiatives: e.g. JASPERS, JEREMIE, JESSICA, JASMINE;
3. Other instruments: e.g. Solidarity Fund and Instrument for Pre-Accession Assistance.

EU Structural Funds (SF) consist of the ERDF and the ESF. The SF comprised, until 2006, of two other funds. The Guidance section of the *European Agricultural Guarantee and Guidance Fund* helped the development and the structural adjustment of rural areas whose development was lagging behind. The relatively small financial instruments for Fisheries and Guidance supported restructuring in the fisheries sector. These funds are called *Structural Funds* because they support measures that aim at the improvement of the structural aspects of the economy. To favour such structural adjustments the funds have to respect the principle of partnership, which means the involvement of regions and private sector actors[31].

Cohesion Fund (CF) beneficiaries are the member countries with below EU average GNI per head[32] figures, with a programme of economic convergence to EMU conditions[33]. The CF finances environmental and transport projects in a framework that is different from the SF on several scores. First, it is managed in close cooperation between the Commission and the national governments without applying the principle of partnership that would have brought the involvement of regional authorities and private actors. Second, it delivers national, not regional funding and the programming is simplified compared to the SF.

Under different headings similar funds are set up to facilitate accession states to become full *New Member States* (NMSs). Eligibility to these funds is phased out as soon as the accession state becomes a full member. Support to NMSs is then mainstreamed under the conditions set out for the *Structural Funds and Cohesion Fund*[34].

---

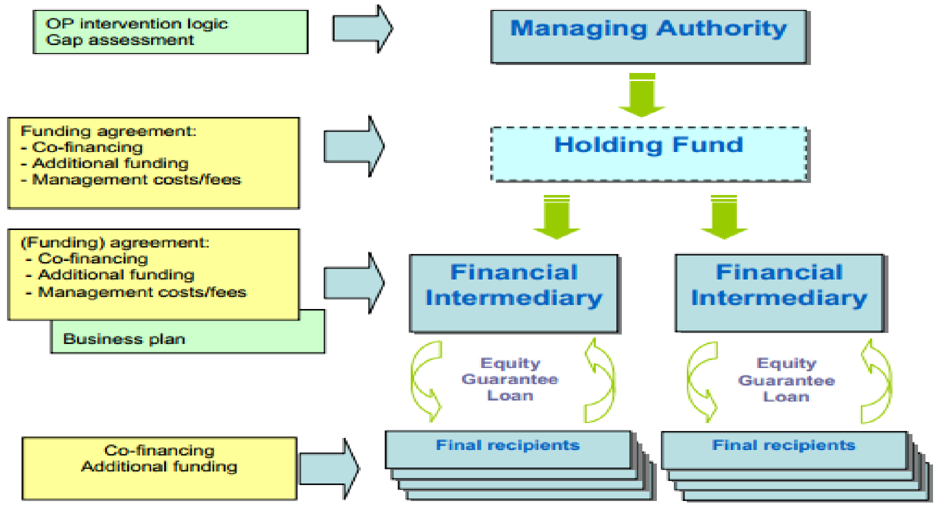
[31] MOLLE, Willem, ref. 2, p.137.
[32] GNI=Gross national income; threshold of 90 % in the period of 2007-2013.
[33] Art. 104 of the Treaty.
[34] MOLLE, Willem, ref. 2.

Financial instruments can play an important role in the achievement of the EU Cohesion Policy objectives. Their purpose is to enable public sector resources to be used in a more efficient way by drawing upon commercial practices and actors and by stimulating the participation of private sector capital. Types of support provided through financial instruments include equity, loans, loan guarantees, micro-finance and other forms of revolving assistance.

The final recipients include small and medium enterprises (SMEs) and other recipients of public funding, such as urban development and energy efficiency/renewable energy projects, and even individual citizens.

Financial instruments can be set up indirectly through holding funds, or through direct contributions to equity funds, loan funds and guarantee fund mechanisms. Figure 2.1 shows the graphic illustration of the set-up of financial instruments in 2007-2013.

Figure 2.1: Set-up of Financial instruments in 2007-2013



Source: EUROPEAN COMISSION [online], 2012a

The possibility of using the same funds several times through various revolving cycles contributes to the impact and sustainability of the instruments.

As such, the impact of revolving funds can be many times greater than grant assistance, giving them a particular added value and relevance in times of budgetary constraints. The impact/multiplier effect is further strengthened by the accumulation of interests generated and dividends paid to the funds[35].

[35] MOLLE, Willem, ref. 2, p.138.

The revolving character of such instruments creates enhanced incentives for better performance on the part of the final recipients - such as better quality of projects and greater financial discipline. Also, the participation of private sector funding guarantees the input of expertise and know-how. Specific expertise in supporting, for example start-up SMEs, can be invaluable[36].

Drawing upon this expertise helps to improve the overall quality of projects. Financial instruments supported through public resources are especially appropriate for revenue-generating projects that, on their own merits, encounter difficulties in obtaining commercial bank lending or equity investment.

Four financial initiatives were developed by the European Commission (Directorate General for Regional Policy) in co-operation with the European Investment Bank group and other financial institutions in the framework of the 2007-2013 programming period in order to make Cohesion Policy more efficient and sustainable.

Two of them referred to the promotion of financial engineering instruments and the other two operated as technical assistance facilities:

- *Joint Assistance to Support Projects in European Regions* (JASPERS): is a technical assistance facility for the twelve EU countries which joined the EU in 2004 and 2007. It provides the Member States concerned with the support they need to prepare high quality major projects, which will be co-financed by EU funds;
- *Joint European Resources for Micro to Medium Enterprises* (JEREMIE): is an initiative of the European Commission developed together with the European Investment Fund. It promotes the use of financial engineering instruments to improve access to finance for SMEs via Structural Funds interventions;
- *Joint European Support for Sustainable Investment in City Areas* (JESSICA): is an initiative of the European Commission developed in co-operation with the *European Investment Bank* (EIB) and the *Council of Europe Development Bank* (EDB). It supports sustainable urban development and regeneration through financial engineering mechanisms;

[36] EUROPEAN COMMISSION. *Commission staff working document. Financial Instruments in Cohesion Policy* [online]. 2012a [21.01.2014]. Available from: http://ec.europa.eu/regional_policy/sources/docoffic/official/communic/financial/financial_instruments_2012_en.pdf.

- *Joint Action to Support Micro-finance Institutions in Europe* (JASMINE): aims at providing both technical assistance and financial support to non-bank micro-credit providers and to help them to improve the quality of their operations, to expand and to become sustainable. JASMINE seeks also to promote good practices in the field of microcredit and to draft a code of good conduct for micro-credit institutions[37].

Other instruments for that period were the following:

- *European Union Solidarity Fund* (EUSF) was set up to respond to major natural disasters and express European solidarity to disaster-stricken regions within Europe. The Fund was created as a reaction to the severe floods in Central Europe in the summer of 2002. Since then, it has been used for 56 disasters covering a range of different catastrophic events including floods, forest fires, earthquakes, storms and drought. 23 different European countries have been supported so far for an amount of more than 3.5 bn EUR[38];
- *Instrument for Pre-Accession Assistance* (IPA) offered assistance to countries engaged in the accession process to the EU for the period 2007-2013. The aim of the IPA was therefore to enhance the efficiency and coherence of aid by means of a single framework in order to strengthen institutional capacity, cross-border cooperation, economic and social development and rural development. Pre-accession assistance supported the stabilisation and association process of candidate countries and potential candidate countries while respecting their specific features and the processes in which they were engaged[39].

The differences between financial instruments and objectives in the programming periods of 2000-2006 and 2007-2013 are shown in Enclosure 6. For the 2007-2013 period there were only three objectives and three instruments.

In 2007-2013, the Cohesion Fund already does not work alone, but contributes to the Convergence objective.

---

[37] EUROPEAN COMMISSION. The Funds. Special Support instruments. *Ec.europe.eu* [online]. 2013a [23.01.2014]. Available from: http://ec.europa.eu/regional_policy/thefunds/instruments/index_en.cfm.

[38] EUROPEAN COMMISSION. The Funds. EU Solidarity Fund. *Ec.europe.eu* [online]. 2014a [23.01.2014]. Available from: http://ec.europa.eu/regional_policy/thefunds/solidarity/index_en.cfm.

[39] EUROPEAN UNION. Instrument for Pre-Accession Assistance. *Europe.eu* [online]. 2012 [26.01.2014]. Available from: http://europa.eu/legislation_summaries/agriculture/enlargement/e50020_en.htm.

The same rules of programming and management are related to the three funds. The three new objectives were incorporated the missions of the previous Objectives 1, 2 and 3 as well as the previous Community initiatives: Interreg III, Equal and Urban II. Interreg III was integrated into the European territorial cooperation objective. The Urban II and Equal programmes were integrated into the convergence and regional competitiveness and employment objectives. The *Leader* + programme and EAGGF were replaced by the *European Agricultural Fund for Rural Development* (EAFRD), the *Financial Instrument for Fisheries Guidance* (FIFG) becomes the *European Fisheries Fund* (EFF).

The EAFRD and the EFF had their own legal basis and were no longer involved in the Cohesion Policy. The Financial resources and allocation by objective are shown in Enclosure 7.

2.4.3 Legal framework

Articles 158-162 of the *Treaty establishing the European Communities* lay down that the Union should promote an overall harmonious development and strengthen economic and social cohesion by reducing development disparities between the regions. For the 2007-2013 period, the instruments to pursue these objectives had their legal basis in a package of five regulations adopted by the Council and the European Parliament in July 2006.

Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999. A General Regulation defined common principles, rules and standards for the implementation of the three cohesion instruments, ERDF, ESF and CF. This regulation set out a renewed programming process, based on Community Strategic Guidelines for Cohesion and their follow-up, as well as common standards for financial management, control and evaluation. The reformed delivery system was providing for a simpler, proportional and more decentralised management of the Structural Funds and the Cohesion Fund. *Commission Regulation (EC) No 1828/2006 of 8 December 2006 was set out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund.*

The European Commission's implementing regulation for the Structural and Cohesion Funds 2007-2013 represented one set of detailed rules on the management of cohesion policy's financial instruments. *Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999*. The regulation on the ERDF defined its role and fields of interventions such as the promotion of public and private investments helping to reduce regional disparities across the Union. The ERDF had to support programmes addressing regional development, economic change, enhanced competitiveness and territorial cooperation throughout the EU. *Regulation (EC) No 1081/2006 of the European Parliament and of the Council of 5 July 2006 on the European Social Fund and repealing Regulation (EC) No 1784/1999.*

ESF was implemented in line with the European Employment Strategy and it will focus on four key areas: increasing adaptability of workers and enterprises, enhancing access to employment and participation in the labour market, reinforcing social inclusion by combating discrimination and facilitating access to the labour market for disadvantaged people, and promoting partnership for reform in the fields of employment and inclusion. *Regulation (EC) No 1082/2006 of the European Parliament and of the Council of 5 July 2006 on a European grouping of territorial cooperation (EGTC).* The fifth regulation introduced a EGTC. The aim of this legal instrument was to facilitate cross-border, transnational and/or inter-regional co-operation between regional and local authorities.

Council Regulation (EC) No 1084/2006 of 11 July 2006 establishing a Cohesion Fund and repealing Regulation (EC) No 1164/94. The CF was contributed to interventions in the field of the environment and trans-European transport networks. It applied to Member States with a Gross National Income (GNI) of less than 90 % of the Community average which means it covered the NMSs as well as Greece and Portugal. Spain was eligible to the CF on a transitional basis. The last act, which was tied to that period, is *the Council Regulation No 1085/2006 establishing an Instrument for Pre-Accession Assistance*[40].

[40] EUROPEAN COMMISSION. Legal text. Structural Funds Regulations 2007-2013**.** *Ec.europe.eu* [online]. 2014b [23.01.2014]. Available from: http://ec.europa.eu/regional_policy/information/legislation/archives_2007_2013_en.cfm.

2.4.4 Programming framework

In the European Union for the fulfilment of the objectives of the EU Cohesion Policy the **multiannual programming system** is used. This programming system was based on a variety of programme documents that were determined priority areas, the method or amount of funding system management and control.

Within the period 2000-2006 was distinguished by a multi-stage system included the development plan, the *Community Support Framework* and *Operational Programmes*, and simplified system, which featured the single programming document, within period 2007-2013 had been designed a new strategic approach to programming where used these programming documents*: Community Strategic Guidelines on Cohesion, National Development Plan, National Strategic Reference Framework* and *Operational Programmes.*

The Community Strategic Guidelines on Cohesion[41] contained the principles and priorities of Cohesion Policy and suggested ways the European regions could take full advantage of the 308 bn EUR that had been made available for national and regional aid programmes.

National authorities used the guidelines as the basis for drafting their national strategic priorities and planning for 2007-2013, the so called *National Strategic Reference Frameworks*. According to the guidelines and in line with the renewed Lisbon Strategy, programmes co-financed through the

Cohesion Policy should seek to target resources on the following three priorities:

- Improving the attractiveness of Member States,
- encouraging innovation,
- creating more and better jobs by attracting more people into employment entrepreneurial activity.

The Guidelines seek to provide a balance between the twin objectives of the growth and jobs agenda and territorial cohesion. The Guidelines seek to provide a balance between the twin objectives of the growth and jobs agenda and territorial cohesion[42].

[41] Council decision of 6 October 2006 on CSG on cohesion (2006/702/EC).
[42] EUROPEAN COMMISSION. Legal text. Guidelines 2007-2013**.** *Ec.europe.eu* [online]. 2014c [23.01.2014]. Available from: http://ec.europa.eu/regional_policy/information/guidelines/archives_2007_2013_en.cfm#4.

The National Strategic Reference Framework was a new system programming instrument applicable for the period 2007-2013. It was not a management instrument, as were the *Community Support Frameworks* (CSFs) used in preceding periods; above all it was defined policy priorities whilst suggested the key elements of implementation.

The NSRF was applied to the convergence objective and the regional competitiveness and employment objective. If the Member State so decided, it could also be applied to the European territorial cooperation objective. The NSRF was prepared by the Member States, which were consulted their partners and holed dialogue with the Commission.

The National Development Plan (NDP) at that time was the basic strategic document of each EU Member State to obtain financial support from the EU Structural Funds and the Cohesion Fund. NDP reviewed the status and overall development of the country when it came to economic, political and social fields, but there were also set out the objectives for the country to achieve the programme period. The content had the global objective, specific objectives and draft *Operational Programmes* (OP). This document must have been prepared in accordance with the laws of the EU.

The Member States' *Operational Programmes* covered the period from 1 January 2007 to 31 December 2013. An Operational Programme was only concerned with one of the three objectives and only benefits from the funding of a single fund. There was **one exception:** the ERDF and the Cohesion Fund participated together for infrastructure and environmental programmes. The Commission evaluated each programme put forward in order to determine if it contributes to the objectives and priorities: of the Community Strategic Guidelines on Cohesion Policy; of the National Strategic Reference Framework. The programmes were built around a Member State's priorities. Details were concerning management were defined at regional and national level and did not feature in the programming. The programming complement which existed in the past thus no longer existed. Given that the NSRF constitutes the basis of Operational Programmes, the Commission Decision concerning the NSRF must precede the Commission decision on each OP[43].

The new regulation was leading to a simplification of the programming process through the creation of the NSRF and the cancelling of the CSF related to Objective 1 and the Single Programming Documents related to Objectives 2 and 3.

[43] EUROPEAN COMMISSION [online], 2007, ref. 23.

Programming complements did not exist and from that period on the Operational Programme was the only programming and management tool. OP were more strategic than in the past. The programme was less detailed; the amounts involved were mentioned at priority rather than action level. The Member State had therefore a higher level of autonomy to implement its programme.

It should be noted that, in the 2007-2013 programming, there was a strengthened coordination with the EIB and the *European Investment Fund* (EIF)[44]. The Programming system of the EU structural aid for 2007-2013 is shown in Enclosure 8.

2.4.5 Financial allocations

As part of the Cohesion Policy for 2007-2013, the *Council Regulation No 1083/2006 of 11 July 2006 laying down general provisions on the ERDF, the ESF and the CF and repealing Regulation No 1260/1999* defined the common rules, standards and principles applicable to the European Regional Development Fund, the European Social Fund and the Cohesion Fund.

Funding for regional and Cohesion Policy in 2007-2013 amounts to 347 bn EUR - 35.7 % of the total EU budget for that period – or just over 49 bn EUR a year. All Cohesion Policy programmes are co-financed by the member countries, bringing total available funding to almost 700 bn EUR. A total of 347 bn EUR was allocated to financing regional policy between 2007 and 2013 to work towards the three new objectives:

- Convergence (283 bn EUR);
- Regional Competitiveness and Employment (55 bn EUR);
- European Territorial Cooperation (9 bn EUR).

The Convergence objective was quite close to the previous Objective 1. The total resources allocated to this objective were 283 bn EUR, equivalent to 79.81 % of the total.

[44] EUROPEAN INVESTMENT FUND. Equity products. *Eif.org.* [online]. 2013 [23.01.2014]. Available from: http://www.eif.org/what_we_do/equity/index.htm.

The following were eligible:

- For the **Structural Funds** (ERDF and ESF):
  - Regions where per capita GDP was below 75 % of the European average. They should be at NUTS II level. They received 70.51 % of the funds allocated for this objective;
  - regions where per capita GDP has grown above 75 % of the European average benefited from transitional, specific and degressive financing. They received 4.99 % of the total allocation;
- For the **Cohesion Fund**: Member States whose per capita GNI was below 90 % of the European average and which were run economic convergence programmes. They received 23.22 % of the resources allocated for this objective. Regions where per capita GNI was to above 90 % of the European average benefited from transitional, specific and degressive financing;
- For **specific financing from the ERDF**: the outermost regions. The aim was to facilitate their integration into the internal market and to take account of their specific constraints.

For this objective, the following ceilings applied to co-financing rates:

- 75 % of public expenditure co-financed by the ERDF or the ESF. The ceiling could be raised to 80 % where the eligible regions were located in a Member State covered by the CF, and even to 85 % in the case of the outermost regions; 85 % of public expenditure co-financed by the CF;
- 50 % of public expenditure co-financed in the outermost regions.

The Regional Competitiveness and Employment objective was aimed to strengthen the competitiveness, employment and attractiveness of regions other than those which are the most disadvantaged. The eligible regions were: regions which fell under Objective 1 during the period 2000-2006, which no longer met the regional eligibility criteria of the Convergence objective, and which consequently benefited from transitional support.

The resources which were intended for this objective total 55 bn EUR were equivalent to 15.85 % of the total and divided equally between the ERDF and the ESF. Under this objective, measures could be co-financed up to 50 % of public expenditure.

Of this amount:

- 78.86 % was intended for the regions not covered by the Convergence objective,
- 21.14 % was earmarked for transitional digressive support.

The European Territorial Cooperation objective was aimed to strengthen cross-border, transnational and inter-regional cooperation. It was based on the old European *INTERREG* initiative and was financed by the ERDF. Regions eligible for funding were those regions at NUTS III level which were situated along internal land borders, certain external land borders and certain regions situated along maritime borders separated by a maximum of 150 km. The ceiling for co-financing is 75 % of public expenditure.

The resources intended for this objective total 9 bn EUR, were equivalent to 2.59 % of the total, fully covered by the ERDF.

This amount was distributed between the different components as follows:

- 73.86 % for financing cross-border cooperation;
- 20.95 % for financing transnational cooperation;
- 5.19 % for financing interregional cooperation[45].

Objectives and Financial Instruments for the period 2007-2013 are generally shown in the Table 2.4.

Table 2.4: Objectives and Financial Instruments 2007-2013

Objectives	Financial Instruments
Convergence	ERDF
	ESF
	Cohesion fund
Regional competitiveness and employment	ERDF
	ESF
European territorial cooperation	ERDF

Source: EUROPEAN UNION [online], 2013.

[45] EUROPEAN UNION. General provisions ERDF - ESF - Cohesion Fund (2007-2013). *Europe.eu* [online]. 2013a [26.01.2014]. Available from: http://europa.eu/legislation_summaries/agriculture/general_framework/g24231_en.htm.

2.5 EU Cohesion Policy in the programming period 2014-2020

Cohesion Policy is a visible expression of solidarity across the European Union and represents a very substantial part of the budget of the European Union. Governance shared between Member States, regions and the European level is a central feature of Cohesion Policy. In November 2010, the European Commission published its first ideas concerning the future of the EU's Cohesion Policy 2014-2020. The most significant ideas put forward by the Commission include the following:

- Linking allocation of funds to the Europe 2020 objectives,
- inviting member states to sign partnership contracts,
- focusing resources on a small number of priorities,
- making payments depend on certain conditions,
- creating a 'performance reserve' to reward the best performers,
- stronger monitoring and evaluation,
- combining grants with loans,
- reinforcing the territorial dimension,
- strengthening partnerships[46].

The ideas put forward by the Commission provide the basis for a public consultation (open until 31 January 2011) and dialogue with national, regional and local governments, the European Parliament, the Committee of the Regions, and other stakeholders.

2.5.1 Objectives and geographical eligibility of EU structural aid

The European Commission presented the new typology **of goals** and regions which will be able to draw the EU Funds support in the new programming period. The thematic objectives are consistent with targets of the *Europe 2020 Strategy* and with the *Lisbon Treaty*, Article 174.

[46] EURACTIV. EU Cohesion Policy 2014-2020. *Euractiv.com* [online]. 2014 [3.02.2014]. Available from: http://www.euractiv.com/regional-policy/eu-cohesion-policy-2014-2020-linksdossier-501653.

All of the EU regions will contribute to the achievement to objectives. For this purpose, two goals have been created[47]:

- *Investment for growth and jobs* – in the EU Member States and regions will be supported by all the EU Funds;
- *European territorial cooperation* – will be supported just by the European Regional Development Fund.

This reflects the alignment with Europe 2020 where all regions contribute to the overall goal of investing in jobs and growth, but the means and scope of intervention is differentiated according to the level of economic development.

The concentration of the EU Funds is dependent on the level of economic development measured by GDP per capita converted in purchasing power parity in relation to the EU-27 average for the period 2006 to 2008 of each region. Resources for the **Investment for growth and jobs goal** will be allocated among the following three categories of NUTS 2 regions[48] established by Regulation (EC) No 1046/2012 (the categories of regions shows Enclosure 9):

- **Less developed regions** – GDP per capita is less than 75 % of the average GDP of the EU-27, their co-financing rate is set up at 75-85 %;
- **Transition regions** – GDP per capita is between 75 % and 90 % of the average GDP of the EU-27, the co-financing rate will be 60 %;
- **More developed regions** – GDP per capita is above 90 % of the average GDP of the EU-27, they will have the co-financing rate of 50 %.

A new category of funding is envisaged for regions with a GDP per capita between 75 % and 90 % of the EU average. These ‘transition’ regions will benefit from particular support in meeting Europe 2020 targets on energy efficiency, innovation and competitiveness.

The European territorial cooperation goal supports the implementation of join actions among national, regional and local actors from different member states.

---

[47] EUROPEAN COMMISSION. *Regulation of the European Parliament and of the Council* [online]. 2011a [3.02.2014]. Available from: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0615:FIN:EN:PDF.

[48] EUROPEAN COMMISSION. *Cohesion Policy 2014-2020. Investing in Europe's region's* [online]. 2011b [3.02.2014]. Available from: http://ec.europa.eu/regional_policy/sources/docgener/panorama/pdf/mag40/mag40_en.pdf.

This goal was created in response to regional issues that cross national or regional borders and require joint and cooperative action at the appropriate territorial level, and thus contributes significantly to the new objective of the Lisbon Treaty, i.e. to territorial cohesion.

European territorial cooperation is of particular importance because of its nature and role as part of Cohesion Policy. It contributes to cooperation at cross-border, transnational and interregional level. The clear distribution of financial resources between the different components of European territorial cooperation, i.e. between cross-border, transnational and interregional cooperation, provides sufficient financial capacity for each of these. It is clear from this distribution that the greatest emphasis is laid on *cross-border cooperation* (CBC) (73.24 % for cross-border cooperation, 20.78 % for transnational cooperation and 5.98 % for interregional cooperation[49]). The financial allocation for the outermost regions is also appropriate. The aim of the *interregional cooperation* should help to reinforce the effectiveness of cohesion policy by encouraging exchange of experiences between regions to enhance design and implementation of Operational Programmes under the Investment for growth and jobs goal.

For cross-border cooperation, the supported regions shall be the NUTS 3 regions of the EU along all internal and external land borders other than those covered by Operational Programmes under the external financial instruments of the EU, and all NUTS 3 regions along maritime borders separated by a maximum of 150 km. Cross-border cooperation programmes may cover regions from Norway, Switzerland, Liechtenstein, Andorra, Monaco and San Marino and third countries or territories neighbouring outermost regions.

For transnational cooperation, the Commission will adopt the list of transnational areas to receive support, broken down by cooperation programmes and covering NUTS 2 regions while ensuring the continuity of such cooperation in larger coherent areas based on previous programmes, by means of implementing acts[50].

[49] EUROPEAN ECONOMIC AND SOCIAL COMMITTEE. *Regulation on European Territorial Cooperation* [online]. 2012 [3.02.2014]. Available from: http://www.eesc.europa.eu/?i=portal.en.eco-opinions.22407.

[50] EUROPEAN COMMISSION. *Proposal for a Regulation of the European Parliament and of the Council on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal* [online]. 2012b [10.02.2014]. Available from: http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/etc/etc_proposal_en.pdf.

2.5.2 Financial instruments

The new rules and legislation governing the next round of the EU Cohesion Policy investment for 2014-2020 have been formally endorsed by the Council of the European Union in December 2013.

The EU Cohesion Policy strongly contributes to the objectives of Europe 2020 - playing a significant role in supporting sustainable, social and economic restructuring across Europe. The EU Cohesion Policy Funds for the programming period **2014-2020** consist of:

- European Structural and Investments Funds (ESIF): ERDF, ESF; CF, EAFRD, EMFF;
- Financial instruments: e.g. JASPERS, JEREMIE, JESSICA and JASMINE;
- Other instruments: e.g. IPA II and EUCP

Financial instruments set up on the basis of thorough **ex-ante assessments** that address the local needs and potential and create flexible responses to development challenges. The most suitable method for support can be selected. It can be a Union-level instrument on national or regional level. Standardised, 'off-the-shelf' options can be applied, or unique funds designed. The support could be given in the form of loans, equity investment or guarantees or a policy-based guarantee in the case of ESF.

For the *Investment for growth and jobs goal*, the EU Structural Funds and the Cohesion Fund have established the system of indicators for each thematic objective that must be met by 2022 on the base of the Partnership Contract between the EU Member States and the European Commission. For common indicators and for programme-specific output indicators, baselines shall be set at zero and cumulative targets shall be **fixed for 2022**. For programme-specific result indicators, baselines shall use the latest available data and targets should be fixed for 2022, but may be expressed in quantitative or qualitative terms.

The European Regional Development Fund aims to strengthen economic and social cohesion in the European Union by correcting imbalances between its regions. The ERDF focuses its investments on several key priority areas.

This is known as **‘thematic concentration’**:

- Innovation and research;
- the digital agenda;
- support for small and medium-sized enterprises (SMEs);
- the low-carbon economy.

The ERDF resources allocated to these priorities will depend on the category of region. In more developed regions, at least 80 % of funds must focus on at least two of these priorities. In transition regions, this focus is for 60 % of the funds, his is 50 % in less developed regions[51].

Furthermore, some ERDF resources must be channelled specifically towards low-carbon economy projects:

- More developed regions: 20 %;
- Transition regions: 15 %;
- Less developed regions: 12 %.

Under *the European Territorial Cooperation programmes*, at least 80 % of funds will be concentrated on these four priority areas mentioned above.

The ERDF also gives particular attention to specific territorial characteristics. ERDF action is designed to reduce economic, environmental and social problems in urban areas, with a special focus on sustainable urban development. At least 5 % of the ERDF resources are set aside for this field, through ‘integrated actions’ managed by cities[52].

The European Social Fund invests in people, with a focus on improving employment and education opportunities across the European Union. It also aims to improve the situation of the most vulnerable people at risk of poverty. The ESF investments cover all EU regions.

[51] EUROPEAN COMMISSION. The Funds. European Regional Development Fund**.** *Ec.europe.eu* [online]. 2014d [10.02.2014]. Available from: http://ec.europa.eu/regional_policy/thefunds/regional/index_en.cfm.
[52] EUROPEAN COMMISSION [online], 2012b, ref. 50.

More than 80 bn EUR is earmarked for human capital investment in Member States between 2014 and 2020, with an extra of at least 3.2 bn EUR allocated to the Youth Employment Initiative[53]. For the 2014-2020 period, the ESF will focus on four of the Cohesion Policy's thematic objectives:

- Promoting employment and supporting labour mobility,
- promoting social inclusion and combating poverty,
- investing in education, skills and lifelong learning,
- enhancing institutional capacity and an efficient public administration.

In addition, 20 % of ESF investments will be committed to activities improving social inclusion and combating poverty. This is known as thematic concentration.

The Cohesion Fund is the additional financial instrument of the EU Cohesion Policy to support developing countries. It contributes to investments in the environment, including areas related to sustainable development and energy which present environmental benefits, **Trans-European Networks** in the area of transport infrastructure and technical assistance. It promotes the thematic objectives as the shift towards a low-carbon economy, climate change adaptation, risk prevention and management, protecting the environment and resource efficiency, sustainable transport and removing bottlenecks in key network infrastructures and strengthening of institutional capacity and the efficiency of public administrations and public services related to implementation of the Cohesion Fund[54].

The European Agricultural Fund for Rural Development (EAFRD) shall contribute to the Europe 2020 Strategy by promoting sustainable rural development throughout the Union in a manner that complements the other instruments of the *Common Agricultural Policy* (CAP), the Cohesion Policy and the Common Fisheries Policy[55].

---

[53] EUROPEAN COMMISSION. The Funds. European Social Fund**.** *Ec.europe.eu* [online]. 2014e [10.02.2014]. Available from: http://ec.europa.eu/regional_policy/thefunds/social/index_en.cfm.

[54] EUROPEAN COMMISSION. *Proposal for a Regulation of the European Parliament and of the Council on the Cohesion Fund and repealing Council Regulation (EC) No 1084/2006* [online]. 2012c [11.02.2014]. Available from: http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/cohesion/cohesion_proposal_en.pdf.

[55] EUROPEAN COMMISSION. *Proposal for a Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Council Regulation (EC) No 1083/2006* [online]. 2011c [22.01.2014]. Available from: http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=com:2011:0615:fin:en:pdf.

Within the overall framework of the CAP, support for rural development, including for activities in the food and non- food sector and in forestry, shall contribute to achieving the following three objectives:

- Fostering the competitiveness of agriculture,
- ensuring the sustainable management of natural resources, and climate action,
- achieving a balanced territorial development of rural economies and communities including the creation and maintenance of employment[56].

The European Maritime and Fisheries Fund (EMFF) is the new fund for the EU's Maritime and Fisheries Policies for 2014-2020. This new fund is used to co-finance projects, along with national funding. Each country is allocated a share of the total Fund budget, based on the size of its fishing industry. The objectives of a new fund:

- Help fishermen in the transition to sustainable fishing,
- support coastal communities in diversifying their economies,
- finance projects that create new jobs and improve quality of life along European coasts,
- make it easier to access financing[57].

The Instrument for Pre-accession Assistance II sets a new framework for providing pre-accession assistance for the period 2014-2020. The most important novelty of IPA II is its strategic focus. *Country Strategy Papers* are the specific strategic planning documents made for each beneficiary for the 7-year period.

These will provide for a stronger ownership by the beneficiaries through integrating their own reform and development agendas. A *Multi-Country Strategy Paper* will address priorities for regional cooperation or territorial cooperation. IPA II targets reforms within the framework of pre-defined sectors. These sectors cover areas closely linked to the enlargement strategy, such as democracy and governance, rule of law or growth and competitiveness.

---

[56] EUROPEAN COMMISSION. *Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005* [online]. 2013b [11.02.2014]. Available from: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R1305&from=EN.

[57] EUROPEAN COMMISSION. Fisheries. European Maritime and Fisheries Fund. *Ec.europe.eu* [online]. 2014f [10.02.2014]. Available from: http://ec.europa.eu/fisheries/reform/emff/index_en.htm.

This sector approach promotes structural reform that will help transform a given sector and bring it up to EU standards. It allows a move towards a more targeted assistance, ensuring efficiency, sustainability and focus on results[58].

IPA II also allows for a more systematic use of sector budget support. Finally, it gives more weight to performance measurement: indicators agreed with the beneficiaries will help assess to what extent the expected results have been achieved. The European Commission plans to allocate the amount of more than 14.1 bn EUR for IPA II for the period 2014-2020. Up to 3 % of this amount will be allocated to the cross-border cooperation programmes. The amount of 1.812 bn EUR, which should promote international dimension of higher education, will come from a variety of external instruments, among which ranks the IPA.

Other instruments: the European Commission proposes to support regional development through other instruments outside the main line of the EU Structural Funds and the Cohesion Fund in the period 2014-2020. One of them should be *the Connecting Europe Facility (CEF)*, whose task is to provide assistance to investment projects in the field of Trans-European Networks for transport, energy and telecommunication technologies.

The European Globalization Adjustment Fund (EGF) is another instrument for the EU Cohesion Policy 2014-2020, which aims to contribute to economic growth and employment in the Union by enabling the Union to show solidarity towards workers made redundant as a result of major structural changes in world trade patterns due to globalization, trade agreements affecting agriculture, or an unexpected crisis, and to provide financial support for their rapid reintegration into employment[59]. The EGF is a special instrument not included in the *Multiannual financial framework (MFF).*

In recent decades the EU Member States have been facing with high unemployment rates, pressure on social protection systems and labour market problems which are caused by the growth of globalization and technological progress. For these reasons, the European Commission proposes for the period 2014-2020 to create *the European Union Programme for Social Change and Innovation*.

[58] EUROPEAN COMMISSION. Enlargement. Overview - Instrument for Pre-accession Assistance. *Ec.europe.eu* [online]. 2014g [12.02.2014]. Available from: http://ec.europa.eu/enlargement/instruments/overview/index_en.htm.

[59] EUROPEAN COMMISSION. *Proposal for a Regulation of the European Parliament and of the Council on the European Globalisation Adjustment Fund (2014 - 2020)* [online]. 2011d [12.02.2014]. Available from: http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/egf/egf_proposal_en.pdf.

The Programme consists of three existing instruments, which create its axes. It is *the Progress programme*, *EURES* and *European Progress Microfinance Facility*.

The Solidarity Fund is the last instrument of the ECP for this programming period. The SF enables the EU, acting as a body, to provide effective support to a Member State, or to an accession country, in its efforts to deal with the effects of a major natural disaster. The new propose of Solidarity Fund for the period 2014-2020 clearly set out that its assistance applies to disasters having only a natural cause, however not exclude following industrial or public health disasters. The Solidarity Fund applies to EU Member States and also the candidate countries. **Newly** it also defines the concept of regional disasters, which ought to be supported by hard indicators. Therefore the European Commission proposes to delimit regional disaster by threshold of percentage rate of regional GDP at NUTS 2[60].

2.5.3 Legal framework

The legislative framework of the EU Cohesion Policy 2014-2020 is based on the primary law, i.e. *the Lisbon Treaty* (the Treaty on European Union and the Treaty on the Functioning of the European Union). The economic, social and territorial cohesion is dedicated in the Title XVIII, Article 174-178 of this Treaty. The Cohesion Policy is **focused on**:

- The Europe 2020 Strategy and its targets,
- rewarding of performance,
- supporting of integrated programming,
- results – monitoring progress towards agreed objectives,
- reinforcing of territorial cohesion,
- simplifying of implementation.

The EU wants to focus on balanced development of economic activities across all regions (including urban, rural, coastal and peripheral areas). Simplification of implementation lays in harmonization of rules for all funds, reducing the administrative burden for beneficiaries, more flexibility in the set-up of the Operational Programmes according to the *Partnership Contracts*, establishment of clearer rules, simplification of the *European Territorial Cooperation* and *the European Social Fund*.

[60] EUROPEAN PARLIAMENT. The Solidarity Fund. *Europarl.europe.eu* [online]. 2013 [12.02.2014]. Available from: http://www.europarl.europa.eu/aboutparliament/en/displayFtu.html?ftuId=FTU_5.1.4.html.

The secondary law for the future of Cohesion Policy contains seven regulations:

- Common provisions regulation[61],
- ERDF regulation,
- ESF regulation,
- ETC regulation,
- Cohesion Fund regulation,
- EAFRD and EMFF regulation[62].

2.5.4 Programming framework

The EU shared competence of policy means that EU Member States cooperate in this area with EU institutions in legislative form and in implementation of the policy. The EU policies must complement and support each other to reach goals established in the Europe 2020 Strategy. The EU Cohesion Policy implementation and realisation in 2014 – 2020 is managed by programming documents system forming a skeleton of programming process from the EU level to the local level. The EU level covers the *Common Strategic Framework* 2014-2020 which transfers the Europe 2020 Strategy objectives into a common implementation and realisation of investments from the European Regional Development Fund, the European Social Fund and the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund in practise. The EU Cohesion Policy implementation is ensured by the *Partnership Agreement* (PA) which is submitted by member state to discussion and approval.

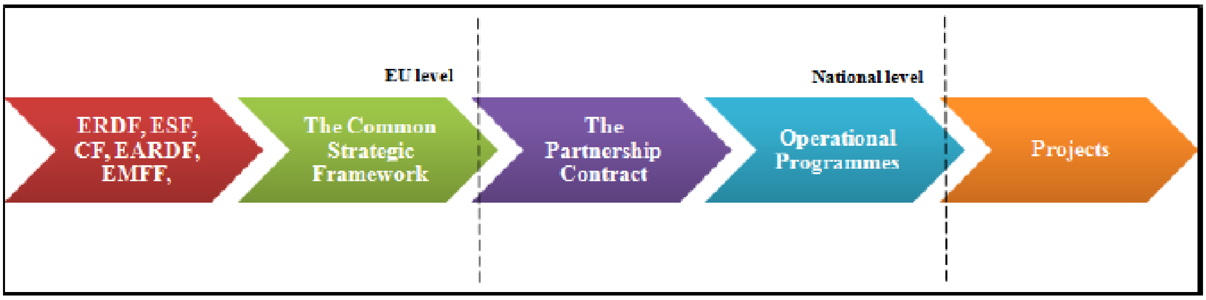
The Partnership Contract builds a bridge between the EU priorities and priorities of each EU Member State and ensures that an aid from funds will be in accordance with the Common Strategic Framework.

[61] *Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006.*

[62] EUROPEAN COMMISSION. Legal texts. European Structural and Investment Funds Regulations 2014-2020**.** *Ec.europe.eu* [online]. 2014h [15.02.2014]. Available from: http://ec.europa.eu/regional_policy/information/legislation/index_en.cfm.

The Partnership Contract also is assist to create *Operational Programmes*[63]. The Operational Programmes, written by EU Member States in accordance with the Partnership Contract, present a development strategy and priorities in selected areas of national priorities. The EU structural aid is realised just by these Operational Programmes which create the basic documents in each thematic objective for its applicant. The programming document structure for the future EU Cohesion Policy is shown in the Figure 2.2.

Figure 2.2 Structure of the programming documents in the period 2014-2020



Source: Own elaboration, 2014

In March 2012, the European Commission presented the elements of the *Common Strategic Framework for 2014-2020* which are common for all five funds. The Common Strategic Framework proposal is divided into two parts. **The first part** establishes the key principles which serve as the basis for programming and realisation of CSF Funds, introduces a form of coordination among the CSF Funds among each other and the CSF Funds and other policies.

The second part contains annexes that describe the priority actions of each of the eleven instruments, including coherence and consistency with the EU economic governance. Thematic objectives included in the General Regulation and the priorities of the EU Cohesion Policy. The Common Strategic Framework gives instructions how the EU Member States can utilize the CSF Funds in favour of their development objectives introduced in the Partnership Contracts and in the Operational Programmes. It also adopts mechanisms for reducing the administrative burden for applicants and beneficiaries and greater harmonisation of rules and coordination between CSF Funds.

The EU Member States have to ensure close cooperation between all authorities responsible for the implementation and coordination of CSF Funds in the way of creating of common monitoring committees or eGovernance.

[63] ASSEMBLY OF EUROPEAN REGIONS. *Common Strategic Framework 2014-2020* [online]. 2012 [14.02.2014]. Available from: http://www.aer.eu/fileadmin/user_upload/MainIssues/CohesionRegionalPolicy/2012/DEF-EN-AER-CSF.pdf.

The Common Strategic Framework coordinates investments from the CSF Funds so that they support best other EU policies directly and indirectly. The EU provides other complementary tools e.g., the *Connecting Europe Facility*, *Horizon 2020*, the *Erasmus*, the *Leonardo da Vinci* programme, the *LIFE* programme and many others which should be used in preparation and realisation of the EU Cohesion Policy by Member States. The challenges requires cooperation and sharing of knowledge and experience at the appropriate territorial level on both sides of boundaries of the EU Member States and their regions within the *European territorial cooperation goal*.

The *Partnership Contract* (Partnership Agreement, PA) presents the highest national programming document inclusive all support from the CSF Funds which must be transmitted to the European Commission for approval within free months of the adoption of the CSF. Then the European Commission will assess a compliance with General Regulation, the actual CSF, country-specific recommendations and recommendations of the European Council which results from previous submitted National Reform Programmes and Stability and Convergence Programmes. The European Commission has to transmit their Partnership Contracts observation within three months and Member State must adjust this Contract adequately[64]. The EU Member States have to take into accounts a horizontal principle and political objectives in their Partnership Contracts.

The *Operational Programmes* are strategic development documents prepared by each member state in co-operation with their strategic partners in accordance with the Common Strategic Framework and the Partnership Contract and it is adopted by the European Commission. Every OP should describe measures to achieve the investment priorities and priorities of the EU for all CSF Funds. The Operational Programmes have to consider main measures which will ensure the greatest impact on growth, employment and sustainability in a specific context of each EU Member State and its regions. Every member state will submit its programmes together with the Partnership Contract to the European Commission.

2.5.5 Financial allocations

The *Multiannual Financial Framework* 2014-2020 has set the framework for EU funding. Over the next seven years, the European Union will invest almost 1 trillion EUR for sustainable growth, jobs and competitiveness, solidarity and cohesion, and to enable the Union to play its role in the world.

[64] EUROPEAN COMMISSION [online], 2011c, ref. 55.

The MFF, adopted by the Council on 2 December 2013 with the consent of the European Parliament, provides for EU spending over the period 2014-2020 in the six identified categories of expenditure (headings) that correspond to broad policy areas: competitiveness for growth and jobs, economic social and territorial cohesion, sustainable growth: natural resources, security and citizenship, global Europe, administration, compensation. Overall, over the next seven years, the EU will commit to invest up to 960 bn EUR and, in the same period, 908.4 bn EUR actual payments will be authorised.

In comparative terms, this amount represents less than 1 % of the GNI of the whole EU[65]. Nonetheless, these financial means will provide substantial EU added value in terms of investments and the achievement of the objectives of the Europe 2020 strategy on growth and jobs. In the new financial period, the European Union will ensure delivery of results through better spending, notably through result-oriented financial support, simplification, reduction of errors and increase of efficiency – aspects to which close attention was paid in the preparation and negotiation of the MFF.

The reformed Cohesion Policy has available **351.8 bn EUR[66]** to invest in Europe's regions, cities and the real economy in the present period. It will be the EU's principle investment tool for delivering the Europe 2020 goals: creating growth and jobs, tackling climate change and energy dependence, and reducing poverty and social exclusion. This is a help through targeting the European Regional Development Fund at key priorities such as support for small and medium-sized enterprises where the objective is to double support from 70 to 140 bn EUR over the seven years. There is a stronger result-orientation and a new performance reserve in all European Structural and Investment Funds that incentivises good projects. Finally, efficiency in cohesion policy, rural development and the fisheries fund is also linked to economic governance to encourage compliance of Member States with the EU's recommendations under the European Semester.

The new section of the budget for the EU Cohesion Policy has more than 40 bn EUR for the new *Connecting Europe Facility* which was supplemented by additional 10 bn EUR from the Cohesion Fund[67].

---

[65] EUROPEAN COMMISSION. *Final Simplification Scoreboard for the MFF 2014-2020* [online]. 2014a [15.02.2014]. Available from: http://ec.europa.eu/transparency/regdoc/rep/1/2014/EN/1-2014-114-EN-F1-1.Pdf.
[66] EUROPEAN COMMISSION. Cohesion Policy 2014-2020. Latest News. *Ec.europe.eu* [online]. 2014i [15.02.2014]. Available from: http://ec.europa.eu/regional_policy/what/future/index_en.cfm.
[67] EUROPEAN COMMISSION. *Amended proposal for a Council Regulation laying down the multiannual financial framework for the years 2014 – 2020* [online]. 2012d [16.02.2014]. Available from: http://eurlex. europa.eu/LexUriServ/LexUriServ.do?uri=COM:2012:0388:FIN:EN:PDF.

The European territorial cooperation goal will have the amount of 3.5 % of the EU Cohesion Policy budget for programming period 2014-2020. For the cross-border cooperation is assigned 73.24 % of the budget, for transnational cooperation it is 20.78 % and for interregional cooperation there is left over 5.98 % .The outermost regions will get 50,000,000 EUR from the allocation for interregional cooperation and they must not receive less than 150 % of the ERDF support they received in the past period[68]. The structure of the EU budget for Cohesion Policy 2014-2020 is shown in the Enclosure 10.

2.6 Comparison of the EU Cohesion Policy settings in programming periods 2007-2013 and 2014-2020

Functioning of the European Union is based on mid-term planning which then leads to the Multiannual financial framework that has been designed for a period of seven years since 1993. In the period 2007-2013 the EU Cohesion Policy formed the second largest expenditure item. But in the period 2014-2020 there will be changes not only in focusing on the priorities of the Cohesion Policy, but also in decreasing its budget and making the EU Cohesion Policy the largest chapter of the MFF.

2.6.1 EU Cohesion Policy in figures (2007-2013 vs. 2014-2020)

The deal reached at the European Council limits the maximum possible expenditure for a European Union of 28 Member States[69] to 959.99 bn EUR[70] in commitments, corresponding to 1.0 % of the EU's GNI. This means that the overall expenditure ceiling has been reduced by 3.5 % in real terms, compared to the MFF of 2007-2013 period. This is to reflect the consolidation of public finances at national level. This is the first time that the overall expenditure limit of a MFF has been reduced compared to the previous MFF. The ceiling for overall payments has been set at 908.40 bn EUR, compared to 942.78 bn EUR in the MFF 2007-2013.

Objectives and geographical eligibility: In the preparation of the programming period 2014-2020, the European Commission (EC) was tasked to simplify further and streamline the EU Cohesion Policy. Hence, the EC proceeded to reducing the number of goals towards two objectives.

[68] EUROPEAN COMMISSION [online], 2012d, ref. 67.
[69] Croatia joined to the EU on 1 July 2013.
[70] This and all other figures are given in 2011 prices.

The *Investment in growth and jobs goal* gets together the Convergence objective and the Regional competitiveness and employment objective from the period 2007-2013 and is common for all three types of regions. The greatest changes occurred in re-organization of regions. **Categories of regions** were determined on the basis of how their GDP per capita measured in purchasing power parities in 2006-2008 relates to the GDP of EU-27. Great simplification also occurred due to cancellation of phasing-out and phasing-in regions and their replacement by simple structure of **Transition regions** which are eligible for the EU Funds if their GDP per capita is between 75 % and 90 % of the average GDP of the EU-27. The *European territorial cooperation goal* remains exactly the same in its focus and scope of eligibility.

There are no changes in the coverage of the different types of regions by the EU Funds. The only difference is their internal focus, which corresponds to the current Europe 2020 Strategy. Differences in the relationship among the objectives/goals of the EU Cohesion Policy, EU Funds and eligible regions show the following Figure 2.3.

Figure 2.3: Comparison of programming periods 2007-2013 and 2014-2020

<table>
<tr><th colspan="3">Period 2007 - 2013</th><th colspan="3">Period 2014 - 2020</th></tr>
<tr><th>Objective</th><th>Region</th><th>Fund</th><th>Goal</th><th>Region</th><th>Fund</th></tr>
<tr><td rowspan="2">Convergence</td><td>Convergence</td><td rowspan="3">ERDF, ESF, CF</td><td rowspan="4">Investment in Growth and Jobs</td><td rowspan="2">Less Developed</td><td rowspan="3">ERDF, ESF, CF</td></tr>
<tr><td>Phasing-out</td></tr>
<tr><td rowspan="2">Regional Competitiveness and Employment</td><td>Phasing-in</td><td>Transition</td></tr>
<tr><td>Regional competitiveness and Employment</td><td>ERDF, ESF</td><td>More Developed</td><td>ERDF, ESF</td></tr>
<tr><td>European Territorial Cooperation</td><td>Cross-border, Transnational, Interregional</td><td>ERDF</td><td>European Territorial Cooperation</td><td>Cross-border, Transnational, Interregional</td><td>ERDF</td></tr>
</table>

Source: EUROPEAN COMMISSION [online], 2012b

Financial instruments: In contrast to the 2007-2013 programming period, the rules adopted for 2014-2020 financial instruments are non-prescriptive in regards to sectors, beneficiaries, types of projects and activities that are to be supported. Member States and managing authorities may use financial instruments in relation to all thematic objectives covered by Operational Programmes, and for all Funds, where it is efficient and effective to do so.

The new framework also contains clear rules to enable better combination of financial instruments with other forms of support, in particular with grants, as this further stimulates the design of well-tailored assistance schemes that meet the specific needs of Member States or regions. Financial instruments are a special category of spending and their successful design and implementation hinges on a correct assessment of market gaps and needs Therefore, in the context of an OP, there is a new provision that financial instruments should be designed on the basis of an ex ante assessment that has identified market failures or sub-optimal investment situations, respective investment needs, possible private sector participation and resulting added value of the financial instrument in question[71].

Against this background, the new regulations offer different implementation options from which Member States and managing authorities may choose the most suitable solution. ESIF programme support can be provided to: Financial instruments set up at EU level, at national/regional, transnational or cross-border level, already existing or newly created instruments, standardised instruments (off-the-shelf) and financial instruments consisting solely of loans or guarantees. The new period offer more flexible co-financing modalities and additional financial incentives and clear financial management rules.

Legal framework: In both periods, are set out the EU Cohesion Policy in primary legislation. Economic and social cohesion has not undergone significant changes since the Maastricht Treaty. Worth mentioning is perhaps only the fact that the *Treaty of Nice* (2003) introduced in many areas, and thus in cohesion policy, qualified majority voting in the EU Council. The *Lisbon Treaty* (2009) then also brought a change in primary law by adding the territorial cohesion to the agenda of economic and social cohesion. Changes in secondary legislation took place in the contents of each regulation which reflects the above-mentioned differences in the *Lisbon Strategy* and the *Europe 2020 Strategy*. But areas which are adjusted by EU regulations did not change. Separate legislative acts in the period 2007-2013 and 2014-2020 apply for the ERDF, the ESF and the CF, as well as for the European territorial cooperation and the European grouping of territorial cooperation.

[71] EUROPEAN COMMISSION. *Financial Instruments in Cohesion Policy 2014 – 2020* [online]. 2014b [8.02.2014]. Available from: file:///C:/Users/ElenaCorsak/Desktop/Elen/skola/diplomka/financial_instruments_en%20changes%202007-2020.pdf.

The focus of general regulation has undergone some changes; in the period 2014-2020, there is common regulation for the above-mentioned EU Funds and also for the EMFF and ERDF which are not part of the EU Cohesion Policy. Changes relating to the ERDF and ESF and EAFRD are shown in Enclosure 11 and Enclosure 12.

Programming framework: In the period 2007-2013 had been designed a new strategic approach to programming where used these programming documents*: Community Strategic Guidelines, National Development Plan, the National Strategic Reference Framework* and *Operational Programmes.* In the present programming period the EU policies must complement and support each other to reach goals established in the *Europe 2020 Strategy*. The EU Cohesion Policy implementation and realisation is managed by programming documents system forming a skeleton of programming process from the EU level to the local level: *Common Strategic Framework* 2014-2020 which transfers the *Europe 2020 Strategy* objectives into a common implementation and realisation of investments from the European Regional Development Fund, the European Social Fund and the Cohesion Fund, the *European Agricultural Fund for Rural Development* and the *European Maritime and Fisheries Fund* in practise.

The EU Cohesion Policy implementation is ensured by the *Partnership Contract* which is submitted by member state to discussion and approval. The Partnership Contract also is assist to create *Operational Programmes*. The Operational Programmes, written by EU Member States in accordance with the Partnership Contract, present a development strategy and priorities in selected areas of national priorities.

Financial allocations: The MFF regulation enables the European Union to spend up to 959.99 bn EUR in commitments and 908.40 bn EUR in payments over the next seven years. The comparison of the Multiannual Financial Framework for 2007-2013 and 2014-2020 are presented in Enclosure 13. This is 3.5 % and 3.7 % respectively less than under the MFF 2007-2013.

The EU Cohesion Policy 2007-2013 budget splits its resources to set objectives as follows:

- **81.53 %** for the *Convergence objective,* which includes 24.5 % for the Cohesion Fund and 5 % for the phasing-out regions,
- **15.95 %** for the *Regional competitiveness and employment objective* which earmarks 21.14 % for the phasing-in regions,
- **2.52 %** for the *European territorial cooperation objective* which divides this amount to 74 % for cross-border, 21 % for transnational and 5 % for interregional cooperation.

The amount for the EU Cohesion Policy in the 2014-2020 has decreased to 325.149 million EUR which accounts 33.87 % of the seven-year budget. Total EU allocations of Cohesion Policy in present programming period are shown in Enclosure 14. The budget for this programming period divides its resources again by the goals as follows:

- **96.32 %** for the *Investment for growth and jobs goal,*
- **2.75 %** for the *European territorial cooperation goal,* and
- **0.93 %** for the *Youth Employment Initiative*[72].

The budget differences between 2 programming periods are shown in comparative table in the Enclosure 15.

2.6.2 Simplification of EU Cohesion Policy for 2014-2020

Simplification has been one of the most popular demands for the new Cohesion Policy. The full impact of simplification will not be achieved by relying only on the Commission's proposals. TheMember States and all involved authorities have a key role to play in ensuring simplification is achieved for the beneficiaries. The full affects of the simplification may also depend on the administrative set-up at national and regional levels, and therefore be greater in some Member States than in others. Experience has also shown that mistakes are sometimes made because rules from previous programming periods are changed, but managing authorities or beneficiaries continue applying the old rules in the new programming period. For this reason many stakeholders have cautioned against a radical overhaul of the rules. This should be taken into account and all possible measures taken in order to ensure a smooth transition from one period to the next.

[72] COUNCIL OF THE EUROPEAN UNION. *Conclusions: Multiannual financial framework* [online]. 2013a [20.02.2014]. Available from: http://consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/135344.pdf.

The Commission's proposals take account of this by proposing only changes that **can deliver simplification in practice**. The Commission's proposals are:

- Harmonisation of rules with other Common Strategic Framework Funds: the regulation lays down common rules for Cohesion Policy, the Rural Development Policy and the Maritime and Fisheries Policy in terms of strategic planning, eligibility and durability. In addition, the number of strategic documents will be reduced by having only one EU and national strategic document for the five CSF Funds,
- increased proportionality,
- legal certainty through clearer rules,
- more efficient delivery and lighter reporting,
- reducing the administrative burden for beneficiaries,
- a move towards results-based management: the Joint Action Plan,
- e-Cohesion,
- simplification of European Territorial Co-operation,
- simplification of the European Social Fund[73].

[73] EUROPEAN COMMISSION. *Simplifying Cohesion Policy for 2014-2020* [online]. 2012d [22.02.2014]. Available from: http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/simplification_en.pdf.

3 Socio-economic characteristics and regional structure of the Kingdom of Spain

Spain, officially the **Kingdom of Spain** (Reino de España), is a sovereign state and a member state of the European Union since 1986 and Eurozone from 1999 and member of the Schengen area since 1991. The total area of the country is 505,782 m^2 and the population[74] is about 46.7[75] million.

Spain's powerful world empire of the 16th and 17th centuries ultimately yielded command of the seas to England. Subsequent failure to embrace the mercantile and industrial revolutions caused the country to fall behind Britain, France, and Germany in economic and political power. Spain remained neutral in World War I and II but suffered through a devastating civil war (1936-1939). A peaceful transition to democracy following the death of dictator Francisco Franco in 1975, and rapid economic modernization gave Spain a dynamic and rapidly growing economy and made it a global champion of freedom and human rights. More recently the government has had to focus on measures to reverse a severe economic recession that began in mid-2008. Austerity measures implemented to reduce a large budget deficit and reassure foreign investors have led to one of the highest unemployment rates in Europe.

Spain is a constitutional monarchy, with a hereditary monarch and a parliament with two chambers: the *Cortes*. The 1978 constitution values linguistic and cultural diversity within a united Spain. The country is divided into **17 autonomous communities** (regions) which all have their own directly elected authorities. In Catalonia, the Basque Country and Galicia, the regional languages have official status alongside the national Spanish language, which is also called Castilian.

Spain’s service and manufacturing sectors are strong, while agriculture (especially fruit and vegetables, olive oil and wine) and tourism are also very profitable.

[74] EUROPEAN UNION [online], 2013b.
[75] EURTAT. Population. *Epp.EURtat.ec.europa.eu* [online]. 2013a [01.03.2014]. Available from: http://epp.EURtat.ec.europa.eu/tgm/table.do?tab=table&language=en&pcode=tps00001&tableSelection=1&footnotes=yes&labeling=labels&plugin=1.

3.1 Political and administrative structure of the state: an overview

Article 1 of the 1978 Constitution says that Spain is a social and democratic state, subject to the rule of law, and advocates as a higher values of the legal order freedom, justice, equality and political pluralism. The Spanish Constitution, which was unanimously approved by Parliament and voted by 87.8 % of the citizens in a referendum, held on 6 December 1978. Article 1.3 reads: 'The political form of the Spanish State is that of a Parliamentary Monarchy'. The Constitution provides for separation between legislative, executive and judiciary and gives institutional backing to the King as Head of State and supreme head of the Armed Forces[76].

The form of government in Spain is a parliamentary monarchy, that is, a social representative, democratic, constitutional monarchy in which the monarch is the head of state and the prime minister, whose official title is 'president of the Government' is the head of government.

Executive power is exercised by the government, which is integrated by the prime minister, the deputy prime ministers, and other ministers, which collectively form the Cabinet, or Council of Ministers.

Legislative power is vested in the Cortes Generales (General Courts), a bicameral parliament constituted by the Congress of Deputies and the Senate. The judiciary is independent of the executive and the legislature, administering justice on behalf of the King by judges and magistrates. The Supreme Court of Spain is the highest court in the nation, with jurisdiction in all Spanish territories, superior to all in all affairs, except in constitutional matters, which are the jurisdiction of a separate court, the Constitutional Court[77].

Spain's political system is a **multi-party system**, but since the 1990s, two parties have been predominant in politics, the Spanish Socialist Workers' Party and the People's Party. Regional parties, mainly the Basque Nationalist Party from the Basque Country, and Convergence and Union and the Socialists' Party of Catalonia from Catalonia, have also played key roles in Spanish politics. Members of the Congress of Deputies are selected through proportional representation, and the government is formed by the party or coalition that has the confidence of the Congress, usually the party with the largest number of seats.

[76] First article. Cortes Generales (27 December 1978).'Spanish Constitution'. Tribunal Constitutional de España. Retrieved 28 January 2012.
[77] TORRES LOPEZ, Juan. *Economia politica.* Piramide, 2013. 504 p. ISBN 978-8-436-82940-2, p.32.

Since the Spanish transition to democracy, there have not been coalition governments; when a party has failed to obtain absolute majority, minority governments have been formed.

Regional government functions under a system known as **the state of autonomies**, a highly decentralized system of administration based on asymmetrical devolution to the 'nationalities and regions' that constitute the nation, and in which the nation, via the central government, retains full sovereignty. Exercising the right to self-government granted by the constitution, the 'nationalities and regions' have been constituted as **17 autonomous communities** and **two autonomous cities**[78] were constituted on the coast of North Africa. The map of the autonomous communities of Spain is in the Enclosure 16. The form of government of each autonomous community and autonomous city is also based on a parliamentary system, in which the executive power is vested on a 'president' and a Council of Ministers elected by and responsible to a unicameral legislative assembly. The basic institutional law of each autonomous community is the **Statute of Autonomy**. The Statutes of Autonomy establish the name of the community according to its historical identity, the limits of their territories, the name and organization of the institutions of government and the rights they enjoy according the constitution.

The government of all autonomous communities must be based on a division of powers comprising:

- A **Legislative Assembly** whose members must be elected by universal suffrage according to the system of proportional representation and in which all areas that integrate the territory are fairly represented;
- a **Government Council**, with executive and administrative functions headed by a president, elected by the Legislative Assembly and nominated by the King of Spain;
- a **Supreme Court of Justice**, under the Supreme Court of the State, which head the judicial organization within the autonomous community.

[78] Ceuta and Melilla.

3.1.1 Structure of national economy

Spain has the thirteenth largest economy by nominal GDP in the world, and fourteenth largest by purchasing power parity. The Spanish economy is the fifth-largest in the European Union, and the fourth-largest in the Eurozone, based on nominal GDP statistics. In 2012, Spain was the eighteenth-largest exporter in the world and the sixteenth-largest importer.

Spain is regarded as the world's 23rd most developed country and is listed among the countries of very high human development. However, since the crisis, the Spanish economy's recent macroeconomic performance has been poor.

Between 2008 and 2012, the economic boom of the 2000s was reversed, leaving over a quarter of Spain's workforce unemployed by 2012. In 2012, the Spanish economy contracted by 1.4 % and was in recession until Q3 of 2013[79].

Despite the poor recent performance of the Spanish economy generally, Spain's international trade situation has improved. During the boom years, Spain had built up a trade deficit eventually reaching a record amounting to 10 % of GDP (2007). During the economic downturn, Spain has been significantly reducing imports, increasing exports and kept attracting growing numbers of tourists. As a result, in 2013 it achieved a trade surplus for the first time in three decades.

Spain is a member of the European Union, the *Organisation for Economic Co-operation and Development* (OECD), and the *World Trade Organisation* (WTO).

3.1.2 Projections of the main macroeconomic aggregates of Spanish economy

Macroeconomic projections are usually subject to revisions of varying intensity, depending on the lag between the time when they are formulated and the availability of the definitive figures, and on the scale of the changes that might arise in the macro financial environment during this period.

After the incipient recovery in activity from the second half of 2013, the Spanish economy is expected to continue making headway throughout this year.

[79] INSTITUTO NACIONAL DE ESTADISTICAS. Tasas de actividad, paro y empleo, por sexo y distintos grupos de edad, por comunidad autónoma**.** *Ine.es* [online]. 2014 [01.03.2014]. Available from: http://www.ine.es/jaxiBD/tabla.do?per=03&type=db&divi=EPA&idtab=28.

Specifically, under the set of assumptions described above, GDP growth of 1.2 % in 2014 is projected and it is shown in the Table 3.1. This rate will be the first positive one, in annual average terms, since the 0.1 % of 2011, and the highest since 2007.

Table 3.1: Projection of the main macroeconomic aggregates of Spanish economy

						Projection
Indicators / Years	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
GDP	-0.2	0.1	-1.6	-1.2	1.2	1.7
Private consumption	0.2	-1.2	-2.8	-2.1	1.1	1.2
Government consumption	1.5	-0.5	-4.8	-2.3	-1.5	-2.5
Gross fixed capital formation	-5.5	-5.4	-7.0	-5.1	0.0	4.2
Investment in capital goods	4.3	5.3	-3.9	2.2	6.3	7.5
Investment in construction	-9.9	-10.9	-9.7	-9.6	-4.4	1.7
Exports of goods and services	11.7	7.6	2.1	4.9	5.1	6.1
Imports of goods and services	9.3	-0.1	-5.7	0.4	3.0	4.4
National demand (contribution to growth)	-0.6	-2.1	-4.1	-2.7	0.3	0.9
Net external demand (contribution to growth)	0.4	2.1	2.5	1.5	0.8	0.7
Private consumption deflator	1.9	2.5	2.5	1.3	0.4	0.8
Unit labour costs	-1.7	-1.0	-3.0	-1.6	-0.7	-0.9
Employment (full-time equivalent jobs)	-2.3	-2.2	-4.8	-3.4	0.4	0.9
Unemployment rate (% of labour force)	20.1	21.6	25.0	26.4	25.0	23.8
Saving rate of households and NPISHs	13.9	12.7	10.4	10.0	9.5	9.7
National economy's net lending (+)/net borrowing (-) (% of GDP)	-3.8	-3.5	-0.6	1.5	2.1	2.5
General government net lending (+)/net borrowing (-) (% of GDP)	-9.6	-9.6	-10.6	-7.1	-5.8	-5.5

Source: GOBIERNO DE ESPAÑA [online], 2014; own elaboration

The projected improvement in the macroeconomic environment is based on various factors, including most notably a lower level of aggregate uncertainty, the recent improvement in the behaviour of employment and a gradual easing of financial conditions. These developments have been accompanied by a return to normal of the Spanish economy's access to foreign financing. Over the projection period a strengthening of the external environment and a certain additional improvement in financial conditions are expected, which, in particular, should be gradually reflected in less strict credit conditions. If this trend continues, activity and employment will continue to recover, although the recovery cannot be expected to be vigorous or risk-free in these initial phases, given that the adjustment processes under way (deleveraging and budgetary consolidation) will continue to have a dampening effect on activity.

As regards the composition of output growth, the trend in 2013 Q2 of the weight of domestic demand growing at the expense of that of net external demand is expected to firm in the projection period. Specifically, domestic demand is projected to grow by 0.3 % in 2014, its first positive rate since 2007. Meanwhile, the contribution to output growth made by net external demand is projected to be 0.8 pp.

In 2015 these trends will continue, with domestic demand accelerating to a rate of 1 % and the contribution of the net external balance to output growth dropping by a further 0.1 %, which, taken together, will result in GDP growth of 1.7 %.

In the **labour market**, employment is expected to grow at rates which, although modest in absolute terms, are high compared with the foreseeable growth of output. The higher job growth in the market sectors could be attributable to the prolongation of wage moderation and to the greater flexibility permitted by the labour market’s current legal framework when firms adjust their internal labour arrangements to business cycle conditions. In non-market sectors, in view of the plans announced by general government, it is expected that government employment will continue to decrease in 2014-2015, albeit more slowly than in 2013. Thus employment in the economy as a whole is expected to rise by 0.4 % in 2014 and by 0.9 % in 2015, giving rise to productivity growth of 0.8 %[80] in both years.

3.1.3 Economic and financial crisis in Spain

Spain continued on the path of economic growth when the ruling party changed in 2004, maintaining robust GDP growth during the first term of prime minister *José Luis Rodríguez Zapatero*, even though some fundamental problems in the Spanish economy were now becoming clearly evident. Among these, according to the *Financial Times*, was Spain's rapidly growing trade deficit, which had reached a staggering 10 % of the country's GDP by the summer of 2008, the ‘loss of competitiveness against its main trading partners’ and, also, as a part of the latter, an inflation rate which had been traditionally higher than the one of its European partners, back then especially affected by house price increases of 150 % from 1998 and a growing family indebtedness (115 %) chiefly related to the Spanish ‘real estate boom’ and rocketing oil prices[81].

In 2011 the deficit reached 8.5 %. In 2012, that percentage is expected to lower to 5.3 % due to a set of tough reforms in the autonomous regions and central government; they begin to meet the objectives. Despite the difficulties, it is expected that the deficit will reach 3.3 % in 2013.

[80] GOBIERNO DE ESPAÑA. *Banco de España: Spanish economic projections report* . [online]. 2014a [05.03.2014]. Available from: http://www.bde.es/f/webbde/SES/Secciones/Publicaciones/InformesBoletinesRevistas/BoletinEconomico/14/Mar/Files/be1403e-project.pdf.
[81] PERÉZ, Simon. *2017 El final de la crisis.* Momento, 2014. 338 p. ISBN 978-8-466-65507-1.

The Spanish government official GDP growth forecast for 2008 in April was 2.3 %. This figure was successively revised down by the Spanish Ministry of Economy to 1.6. This figure looked better than those of most other developed countries. In reality, this rate effectively represented stagnant GDP per capita due to Spain's high population growth, because of a high rate of immigration.

Retrospective studies by most independent forecasters estimate that the rate had actually dropped to 0.8 % instead, far below the strong 3 % plus GDP annual growth rates during the 1997–2007 decade.

Then, during the third quarter of 2008 the national GDP contracted for the first time in 15 years and, in February 2009, it was confirmed that Spain, along other European economies, had officially entered recession.

In July 2009, the *International Monetary Fund* (IMF) worsened the estimates for Spain's 2009 contraction, to minus 4 % of GDP for the year (close to the European average of minus 4.6 %), besides, it estimated a further 0.8 % contraction of the Spanish economy for 2010. The estimation of the IMF was proven to be somewhat too pessimistic, as Spain's GDP sank less than that of most advanced economies in 2009 and by the first quarter of 2010 had already emerged from the recession.

In 2008 the total Spanish public debt (government debt) relative to the total GDP was well below the European Union average, and in fact the government budget was in surplus. In 2012, public debt increased to 90.69 % of GDP. Although this remains lower than other European countries such as Italy, Spain's financial problems stem from private debt equivalent to well over 200 % of GDP.

Spain experienced a prolonged recession in the wake of the global financial crisis. GDP contracted by 3.7 % in 2009, ending a 16-year growth trend, and continued contracting through most of 2013. Economic growth resumed in late 2013, albeit only modestly, as credit contraction in the private sector, fiscal austerity, and high unemployment continued to weigh on domestic consumption and investment. Exports, however, have been resilient throughout the economic downturn, partially offsetting declines in domestic consumption and helped to bring Spain's current account into surplus in 2013 for the first time since 1986. The unemployment rate rose from a low of about 8% in 2007 to more than 26 % in 2013, straining Spain's public finances as spending on social benefits increased while tax revenues fell. Spain’s budget deficit peaked at 11.4 % of GDP in 2009.

Spain gradually reduced the deficit to just under 7 % of GDP in 2013, slightly above the 6.5 % target negotiated between Spain and the EU. Public debt has increased substantially – from 60.1 % of GDP in 2010 to 93.4 % in 2013[82].

Rising labour productivity, moderating labour costs, and lower inflation have helped to improve foreign investor interest in the economy and to reduce government borrowing costs. The government's ongoing efforts to implement reforms - labour, pension, health, tax, and education - are aimed at supporting investor sentiment.

The government also has shored up struggling banks exposed to Spain's depressed domestic construction and real estate sectors by successfully completing an EU-funded restructuring and recapitalization programme in December 2013.

3.1.4 Employment crisis

As for employment, a long time weakness of the Spanish economy, after having completed large improvements over the second half of the 1990s and during the 2000s (decade), which put a few regions on the brink of full employment, Spain suffered a severe setback from October 2008, when it saw its unemployment rate surging to 1996 levels. During the period October 2007 – October 2008 Spain had its unemployment rate climbing 37 %, exceeding the unemployment surge of past economic crises like 1993. In particular, during the month of October 2008, Spain feared its worst unemployment rise ever recorded and, so far, the country is suffering a big unemployment crisis.

Spain's unemployment rate hit 17.4 % at the end of March, with two million people losing their jobs; with the oversized building and housing related industries contributing greatly to the rising unemployment numbers. In this same month, Spain had over 4,000,000 people unemployed, an especially shocking figure even for a country which had become used to grim unemployment data. Since 2009 thousands of established immigrants began to leave, although some that did continued to maintain homes in Spain due to poor conditions in their country of origin. In May 2012 began a radical labour reform that make more flexible labour market and facilitates the layoffs.

[82] CENTRAL INTELLIGENCE AGENCY. The world factbook. *Cia.gov* [online]. 2014 [01.03.2014]. Available from: https://www.cia.gov/library/publications/the-world-factbook/geos/sp.html.

The Minister for Employment and Social Security, *Fátima Báñez*, said in 19 June 2012, that labour reform promoted by the Government has allowed reached in a short time, 32,500 contracts for entrepreneurs, of which over 50 % has gone to young people. The unemployment rate in February 2014 was 25.6 %[83].

3.1.5 Sectors of the economy

Since the 1990s some Spanish companies have gained multinational status, often expanding their activities in culturally close Latin America. Spain is the second biggest foreign investor there, after the United States. Spanish companies too have expanded into Asia, especially China and India. This early global expansion is a competitive advantage over its competitors and European neighbours. The reason may primarily due to the booming interest toward Spanish language and culture in Asia and Africa, but also a corporate culture that learned to take risks in unstable markets.

Spanish companies invested in fields like renewable energy commercialisation (Iberdrolais the world's largest renewable energy operator), technology companies like Telefónica, Abengoa, Mondragon Corporation, Movistar, Gamesa, Hisdesat, Indra, train manufacturers like CAF, Talgo, global corporations such as the textile company Inditex, petroleum companies like Repsol and infrastructure, with six of the ten biggest international construction firms specialising in transport being Spanish, like Ferrovial, Acciona, ACS, OHL and FCC[84].

Infrastructure

In 2012–2013 edition of the *Global Competitiveness Report* Spain was listed 10th in the world in terms of first-class infrastructure. It is the 5th EU country with best infrastructure and ahead of countries like Japan or the United States. In particular, the country is a leader in the field of high-speed rail, having developed the second longest network in the world (only behind China) and leading high-speed projects with Spanish technology around the world.

The Spanish infrastructure concession companies lead 262 transport infrastructures worldwide, representing 36 % of the total, according to the latest rankings compiled by the publication Public Works Financing.

83 EUROSTAT. Harmonised unemployment rate by sex. *Epp.eurostat.ec.europa.eu* [online]. 2013b [01.03.2014]. Available from: http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&language=en&pcode=teilm020&tableSelection=1&plugin=1.

84 ARGUELLES VELEZ, Margarita. *Economia y Politica Regional en España*. Madrid: Delta, 2010. 216 p. ISBN 978-84-92-45331-3, p.58.

The top three global occupy Spanish companies: ACS, Global Vía and Abertis, according to the ranking of companies by number of concessions for roads, railways, airports and ports in construction or operation in October 2012.

Considering the investment, the first world infrastructure concessionaire is Ferrovial-Cintra, with 72,000 million EUR, followed closely by ACS, with 70,200 million. Among the top ten in the world are also the Spanish Sacyr (21,500 million), FCC and Global Vía (with 19,400 million) and OHL (17,870 million)[85].

During 2013, Spanish civil engineering companies signed contracts around the world for a total of 40 bn EUR, setting a new record for the national industry.

The port of Valencia in Spain is the busiest seaport in the Mediterranean basin, 5th busiest in Europe and 30th busiest in the world. There are four other Spanish ports in the ranking of the top 100 busiest world seaports; as a result, Spain is tied with Japan in the third position of countries leading this ranking.

Automobile industry

The automobile industry in Spain is a large employer in the country, employing 9 % of the total workforce in 2009 and contributing to 3.3 % of the Spanish GDP, despite the decline due to the economic recession of the past couple of years. In 2009, Spain was in the top ten of the largest automobile producer countries in the world.

Apart from its domestic brand SEAT, which is the major contributor to the automotive sector of the country, and Santana Motor, many suppliers and foreign car and truck makers like Volkswagen, Nissan, Daimler Mercedes-Benz, Ford, Renault, GM/Opel, PSA Peugeot/Citroën, Iveco and etc. – have facilities and plants in Spain today developing and producing vehicles and components, not only for the domestic market but also for export, with the contribution of the automobile industry in 2008 rising up to **2nd place** with 18 % of the country's total exports

[85] ARGUELLES VELEZ, Margarita, ref. 82.

Energy

In 2008, Spanish electricity consumption was an average of 6.523 kWh/person. Spanish electricity usage constituted 88 % of the EU15 average (EU15: 7.409 kWh/person), and 73 % of the OECD average (8.991 kWh/person).

Spain is one of the world leaders in renewable energies, both as a producer of renewable energy itself and as an exporter of such technology. In 2013 it became the first country ever in the world to have wind power as its main source of energy.

Tourism

During the last four decades Spain's foreign tourist industry has grown into the second biggest in the world and was worth approximately 40 bn EUR, about 5 % of GDP, in 2006.

The total value of foreign and domestic tourism came to nearly 11 % of the country's GDP and provided employment for about 2 million people. In August 2012 Spain beat its own record of monthly arrivals, having registered 7.9 million visitors.

By 2013, Spain was the third most visited country in the world: it was visited by 60.6 million tourists. The headquarters of the World Tourism Organisation are located in Madrid, Spain[86].

3.2 Administrative organization and regional structure in Spain

An **autonomous community** is a first-level political and administrative division of Spain created in accordance with the Spanish constitution of 1978, with the aim of guaranteeing the autonomy of the nationalities and regions that integrate the Spanish nation.

Since sovereignty resides in the nation as a whole and is represented in the State-wide or central institutions of government and not in the communities, Spain is not a federation but a highly decentralized unitary state that has devolved power to the communities, which in turn exercise their right to self-government within the limits set forth in the constitution.

[86] MINISTERIO DE INDUSTRIA, ENERGIA Y TURISMO. Plan Nacional e Integral de Turismo 2012-2015. *Tourspain.es* [online]. 2014 [01.03.2014]. Available from: http://www.tourspain.es/es-es/VDE/Paginas/PNIT.aspx.

3.2.1 Autonomous communities of Spain

There are **17 autonomous communities** and **2 autonomous cities** that are collectively known as autonomies. The two autonomous cities have the right to become autonomous communities, but neither has yet utilised this right. This unique framework of territorial administration is known as the *State of Autonomies*.

The autonomous communities are governed according to the constitution and their own organic laws known as *Statutes of Autonomy,* which contain all the competences that they assume. Since devolution was intended to be asymmetrical in nature the scope of competences vary for each community, but all have the same parliamentary structure.

Autonomous means that each of these autonomous communities has its own Executive Power, its own Legislative Power and its own Judicial Power. These are similar, but not the same, to states in the United States of America, for example.

Spain has fifty smaller parts called provinces. In 1978 these parts came together, making the autonomous communities. Before then, some of these provinces were together but were broken.

The groups that were together once before are called 'historic communities': Catalonia, Basque Country, Galicia and Andalusia. The Spanish language is official language in every autonomous community but six autonomous communities have also other official languages[87].

The list of the autonomous communities, with their capital city (the place where the government has its offices) is shown in the Table 3.2.

[87] SECRETARIA DE ESTADO DE ADMINISTRACIONES PUBLICAS. Administraciones Autonómicas. *Seap.minhap.es* [online]. 2014 [01.03.2014]. Available from: http://www.tourspain.es/es-es/VDE/Paginas/PNIT.aspx.

Table 3.2: The autonomous communities and their capitals in Spain

Autonomous community	Capital
1. Andalusia	Sevilla
2. Aragon	Zaragoza
3. Asturias	Oviedo
4. Balearic Islands	Palma
5. Basque Country	Vitoria-Gasteiz
6. Canary Islands	Las Palmas and Santa Cruz de Tenerife
7. Cantabria	Santander
8. Castile-La Mancha	Toledo
9. Castile and Leon	Valladolid and Burgos
10. Catalonia	Barcelona
11. Community of Madrid	Madrid
12. Extremadura	Merida
13. Galicia	Santiago de Compostela
14. La Rioja	Logroño
15. Murcia	Murcia
16. Navarre	Pamplona
17. Valencian Community	Valencia

Source: Own elaboration, 2014

The State of Autonomies, as established in Article 2 of the constitution, has been argued to be based on four principles: willingness to accede to autonomy, unity in diversity, autonomy but not sovereignty of the communities, and solidarity among them all.

The structure of the autonomous communities is determined both by the devolution allowed by the constitution and the competences assumed in their respective Statutes of Autonomy. While the autonomic agreements and other laws have allowed for an ‘equalization’ of all communities, differences still remain.

The Statute of Autonomy is the basic institutional law of the autonomous community or city, recognized by the Spanish constitution in article 147. It is approved by a parliamentary assembly representing the community, and then approved by the Cortes Generales, the Spanish Parliament, through an ‘Organic Law’, requiring the favourable vote of the absolute majority of the Congress of Deputies.

All autonomous communities have a parliamentary system based on a division of powers comprising:

- A Legislative Assembly, whose members are elected by universal suffrage according to a system of proportional representation, in which all areas that integrate the territory are fairly represented,
- a Council of Government, with executive and administrative powers, headed by a prime minister, whose official title is 'president', elected by the Legislative Assembly, usually the leader of the party or coalition with a majority in the Assembly and nominated by the King of Spain,
- a Supreme Court of Justice, hierarchically under the Supreme Court of Justice of Spain[88].

The two autonomous cities Ceuta and Melilla have more limited competences than autonomous communities, but more than other municipalities. The executive is exercised by a president, which is also the major of the city. In the same way, limited legislative power is vested in a local assembly in which the deputies are also the city councillors. The comparison of Spanish autonomies by population is represented in Enclosure 17.

3.2.2 State and regions: shared, concurrent and exclusive competences

The autonomic agreements of 1982 and 1992 tried to equalize powers (competences) devolved to the 17 autonomous communities, within the limits of the constitution and the differences guaranteed by it. In the words of the Constitutional Court of Spain in its ruling of August 5, 1983, the autonomous communities are characterized by their 'homogeneity and diversity, equal in their subordination to the constitutional order, in the principles of their representation in the Senate, in their legitimation before the Constitutional Court, and in that the differences between the distinct Statutes cannot imply economic or social privileges. However, they can be unequal with respect to the process to accede to autonomy and the concrete determination of the autonomic content of their Statute, and therefore, in their scope of competences. Without the former there will be no unity or integration in the State's ensemble; without the latter, there would not be true plurality and the capacity of self-government'[89].

[88] SECRETARIA DE ESTADO DE ADMINISTRACIONES PUBLICAS. Política Autonómica. *Seap.minhap.es* [online]. 2014b [01.03.2014]. Available from: http://www.tourspain.es/es-es/VDE/Paginas/PNIT.aspx.
[89] Article 137 of the Constitution of Spain.

The asymmetrical devolution is a unique characteristic of the territorial structure of Spain, in that the autonomous communities have a different range of devolved competences. These were based on what has been called in Spanish 'differential facts' or 'differential traits'.

Competences can be divided into **three groups**: **exclusive** to the central State or central government, **shared** competences, and **devolved** competences exclusive to the communities. Article 149 states which powers are exclusive to the central government: international relations, defence, administration of justice, commercial, criminal, civil, and labour legislation, customs, general finances and state debt, public health, basic legislation, and general coordination. All autonomous communities have the power to manage their own finances in the way they see fit, and are responsible for the administration of education, school and universities, health and social services and cultural and urban development.

Yet there are differences as stipulated in their statutes and the constitution:

- Aragon, the Balearic Islands, the Basque Country, Catalonia, Galicia and the Valencian Community have a regional civil code,
- Basque Country, Catalonia, and Navarre have their own police corps — the Ertzaintza, the Mossos d'Esquadra and the Nafarroako Foruzainoga, respectively,
- The Canary Islands have a special financial regime in virtue of its location as an overseas territories, while the Basque Country and Navarre have a distinct financial regime called 'chartered regime',
- The Balearic Islands, the Basque Country, Catalonia, Galicia, Navarre, and the Valencian Community have a co-official language and therefore a distinct linguistic regime[90].

How the communities are financed has been one of the most contentious aspects in their relationship with the central government. The constitution gave all communities significant control over spending, but the central government retained effective control of their revenue supply.

[90] SECRETARIA DE ESTADO DE ADMINISTRACIONES PUBLICAS. Política Autonómica. *Seap.minhap.es* [online]. 2014b [01.03.2014]. Available from: http://www.tourspain.es/es-es/VDE/Paginas/PNIT.aspx.

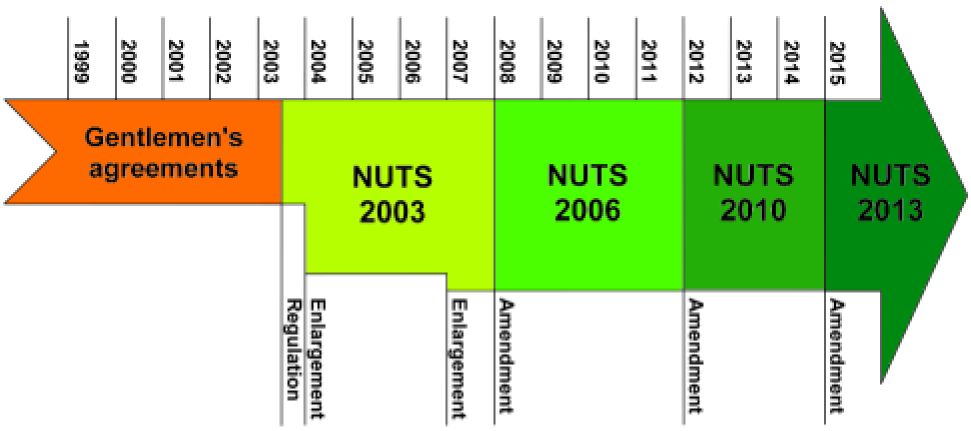
That is, the central government is still charge of levying and collecting most taxes, which it then redistributes to the autonomous communities with the aim of producing 'fiscal equalization'. This applies to all communities, with the exception of the Basque Country and Navarre. This financial scheme is known as the 'common regime'.

3.2.3 Nomenclature of Territorial Units for Statistics in Spain

The *Nomenclature of Territorial Units for Statistics* (NUTS) was introduced by Eurostat more than 30 years ago (1988) in order to provide a single uniform breakdown of territorial units for the production of regional statistics for the European Union. At the beginning of the 1970s, Eurostat set up the NUTS classification as a single, coherent system. For around thirty years, implementation and updating of the NUTS classification was managed under a series of 'gentlemen's agreements' between the Member States and Eurostat.

Work on *the Commission Regulation (EC) No 1059/2003*, to give NUTS a legal status started in spring 2000. This was adopted in May 2003 and entered into force in July 2003. **The regulation also specifies stability of the classification for at least three years**[91]. Stability makes sure that data refers to the same regional unit for a certain period of time. This is crucial for statistics, in particular for time-series. However, sometimes national interests require changing the regional breakdown of a country. When this happens the county concerned informs the European Commission about the changes. The Commission in turn amends the classification at the end of period of stability according the rules of the NUTS Regulation. The history of NUTS shows the Figure 3.1.

Figure 3.1: Development of NUTS in the EU



Source: EUROPEAN COMMISSION [online], 2013b

[91] EUROPEAN COMMISSION. History of NUTS. *Epp.eurostat.ec.europa.eu* [online]. 2013b [23.01.2014]. Available from: http://epp.eurostat.ec.europa.eu/portal/page/portal/nuts_nomenclature/history_nuts.

A first regular amendment, *Commission Regulation (EC) No 105/2007*, was the replacement of the NUTS version 2003 by the version 2006 on 1 January 2008. This was preceded by completions of the NUTS classification with the regional breakdowns of the countries that have joined the EU in 2004 and 2008: *Commission Regulation (EC) No 1888/2005* and *Commission Regulation (EC) No 176/2008*.

The second regular amendment, Commission *Regulation (EU) No 31/2011*, has been adopted by the Commission and it was applicable from 1st January 2012[92].

NUTS hierarchy was created and developer according to the following principles:

- NUTS favours institutional breakdowns (normative and analytical criteria),
- NUTS favours regional units of a general character,
- NUTS is a three-level hierarchical classification.

NUTS regulation lays down the following minimum and maximum thresholds for the average size of NUTS regions, which are shown in the Table 3.3.

Table 3.3: Minimum and maximum thresholds for the average size of the NUTS regions

Level	Minimum	Maximum
NUTS 1	3 million	7 million
NUTS 2	800 000	3 million
NUTS 3	150 000	800 000

Source: EUROPEAN COMMISSION [online], 2013b; own elaboration

NUTS system serves as a reference:

- For the collection, development and harmonisation of Community regional statistics,
- for socio-economic analyses of the regions,
- for the framing of Community regional policies[93].

Spain is divided into **17 autonomous communities** (*comunidades autónomas*), in addition **to 2 African autonomous cities** (*ciudades autónomas*: Ceuta and Melilla). The communities have their own parliaments and regional governments with wide legislative and executive powers.

[92] EUROPEAN COMMISSION [online], 2013b, ref. 91.
[93] EUROSTAT. *Regions in the European Union. Nomenclature of territorial units for statistics* [online]. 2007 [01.03.2014]. Available from: http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-RA-07-020/EN/KS-RA-07-020-EN.PDF

The powers of the communities differ as laid out in the ‘autonomy statute’ (*estatuto de autonomía*), and there is a clear difference between the historical regions (Basque Country, Catalonia, Galicia, and Andalusia) and the others with respect to their functions.

In Spain there are 3 levels of NUTS:

- NUTS 1: Groups of autonomous communities (*Agrupación de comunidades autónomas*),
- NUTS 2: Autonomous communities and cities (*Comunidades y ciudades autónomas*),
- NUTS 3: Provinces, Islands and Ceuta and Melilla (*Provincias, islas).*

The communities are subsequently divided into 59 provinces with islands and 2 autonomous cities. The provinces are of less administrative importance today, but they are still used as electoral constituencies.

Spain has 59 NUTS 3 units, 19 NUTS 2 units, 7 NUTS 1 units and LAU 2 – 8,111 units[94]. The NUTS 3 level equals the provinces and NUTS 2 the autonomous communities, plus the two exclaves Ceuta and Melilla as separate units at both levels. NUTS codes of Spain are shown in detail in the Enclosure 18.

[94] EUROSTAT. *Regions in the European Union. Nomenclature of territorial units for statistics* [online]. 2007 [01.03.2014]. Available from: http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-RA-07-020/EN/KS-RA-07-020-EN.PDF.

4 Implementation of the EU Cohesion Policy in Spain in the programming period 2007-2013

The European Union comprises 28 Member States forming a community and single market of 505.5 million citizens. However, great economic and social disparities still remain among these countries and their 271 NUTS 2 regions. EU Cohesion Policy is at the centre of the effort to improve the competitive position of the Union as a whole, and its weakest regions in particular. Through the European Regional Development Fund and the European Social Fund, otherwise known as the Structural Funds, as well as the Cohesion Fund, it invests in thousands of projects across all of Europe's regions to achieve its primary task: to promote economic and social cohesion by reducing these disparities between Member States and regions. With a budget of **347 bn** EUR for 2007-2013, Cohesion Policy represented the single largest source of financial support at EU level for investment in growth and jobs, was designed to enable **all regions** to compete effectively in the internal market. However, as the challenges facing Europe's regions have changed over time, so too has the policy. Against a background of momentous change in the Union as a result of enlargement and of increasing globalisation, concerns about energy supplies, demographic decline, climate change and more recently, world recession, the policy has evolved, in step, as a key part of the response to meet these realities.

4.1 Basis and main features of Spain's National Strategic Reference Framework 2007-2013

Spanish *National Strategic Reference Framework* (NSRF) for the period 2007-2013, sets targets funding for **three strategic objectives:**

- Making Spain a more attractive place to invest and work in;
- Improving knowledge and innovation to boost growth;
- More and better jobs.

The Spanish NSRF has been designed to translate these priority objectives into themes aimed at boosting the knowledge economy, fostering sustainable environment and transport, advancing local and urban development, encouraging lifelong learning and business creation, improving human capital, promoting access to employment, social inclusion and equal opportunities, enhancing public - private partnership and encouraging both strategic reflexion and acquisition of skills by experience exchange in newly-created thematic networks.

The National Strategic Reference Framework has a double purpose, both as a financial and as a strategic document:

- **As a financial document**, the NSRF contains the allocations reserved for the regional and territorial cohesion policy as foreseen in the *Agreement of the European Council* of December 16, 2005 for Spain approving the Financial Perspectives for the period 2007-2013;
- **As a strategic programming document**, it sets forth the strategy to be followed in order to carry out the *Cohesion Fund, ERDF and European Social Fund interventions* for Spain within the same period, namely, 2007-2013. As a strategic document, it also defines the contribution of the Spanish regional policy to the fulfilment of the objectives of the *Lisbon Strategy*, developing a number of measures contained in *Spain's National Reforms Programme*. It further translates the *Community Strategic Guidelines* in terms of cohesion into the specific context of the Spanish regions by individualizing the general strategy defined at EU level by regions[95].

This phase of the Cohesion Policy is based on the *Agreement on Financial Perspectives for 2007-2013*. These make it possible for Spain to remain one of the main beneficiaries under European regional policies in that period.

That period puts forward a simplified framework for the EU Cohesion Policy based on three priorities, the purpose of which is to ensure the correct application of the *Lisbon and Gothenburg agendas*[96], while taking into account the specific circumstances of each region:

- *Convergence Objective:* This priority is used to finance the least developed territories in the Union. It includes a transitional grant or phasing-out for 'statistical effect' regions; that is, regions whose GDP per capita does not exceed 75 % of the average GDP of EU-15, but does exceed 75 % of the new average set by EU-25[97]. Convergence programmes are used to modernize and increase both physical and human capital, promote environmental sustainability, and develop better practices in terms of 'governance' and institutional capacities;

[95] ARGUELLES VELEZ, Margarita, ref. 82.

[96] The Gothenburg European Council in June 2001 completed the Lisbon strategy by adding an environmental dimension. It focussed on a new emphasis to protect the environment and achieve a more sustainable pattern of development.

[97] The European Union had 27 members from January 1, 2007 (when Bulgaria and Romania adhered formally), but the reference parameters we deal with here were established before the last enlargement round.

- *Regional Competitiveness and Employment Objective:* This priority is reserved for all other territories not covered by the Convergence Objective, since they still show significant needs resulting from economic and social restructuring actions. This priority also includes a special transitional treatment or phasing - in for regions coming out of 'objective 1' as a result of their own development; in other words, regions where GDP per capita exceeds 75 % of the average GDP of EU-15 and the EU-25 average. Interventions focused on a limited number of strategic priorities related to the Lisbon and Gothenburg agendas;
- *Territorial and European Cooperation:* This priority implemented through trans-border and transnational programmes, and tackle the specific problems arising from building an integrated economy within the entire European territory, as it is divided by national frontiers.

The map with eligibility of Spanish regions for Convergence and Competitiveness objectives in the programming period 2007-2013 shows the Figure 4.1.

Figure 4.1: Eligibility of Convergence and Competitiveness objectives 2007-2013 in Spain

Source: EUROPEAN COMMISSION [online], 2008b

In the same manner, the Convergence objective (although defined for the totality of each State) includes the financing of the Cohesion Fund for countries whose GNI per capita is below 90 % of the EU-25 average[98].

As a result of the negotiation process and particularly relevant for Spain, a transitional period has been established for regions to come out of the Cohesion Fund, as recognition of the statistical effect at national level.

Within this particular framework, each of the aforementioned objectives is fulfilled by a number of Spanish regions: Regions within the Convergence objective: Andalucía, Castilla-La Mancha, Extremadura and Galicia:

- *Phasing-out* regions: Asturias, Murcia, Ceuta and Melilla;
- *Phasing-in* regions: Valencia, Castilla y León and Canary Islands;
- Regions within the regional Competitiveness and Employment objective: Cantabria, Aragón, Balearic Islands, Catalonia, Madrid, Basque Country, Navarre and La Rioja.

The Enclosure 19 shows the amounts provided for by objective by years (in current EUR) for the period 2007 – 2013.

4.1.1 Financial outlook for EU Cohesion Policy in Spain 2007-2013

For 2007-2013 period, Spain has been allocated **35.217 bn EUR** in total: 26.180 bn EUR under the Convergence objective (3.543 bn EUR from the Cohesion Fund), 8.477 bn EUR under the Regional Competitiveness and Employment objective and 559 million EUR under the European Territorial Cooperation objective[99]. Financial allocations for Spain for the period of 2007-2013 are shown in Table 4.1.

---

[98] GOBIERNO DE ESPAÑA. MINISTERIO DE HACIENDA Y ADMINISTRACIONES PÚBLICAS. *Marco Estratégico Nacional de Refencia 2007-2013* [online]. 2007 [05.03.2014]. Available from: http://www.dgfc.sgpg.meh.es/sitios/dgfc/esES/ipr/fcp0713/p/menr/Documents/(488)MarcoEstratgicoNacionaldeReferencia.pdf.

[99] GOBIERNO DE ESPAÑA. MINISTERIO DE HACIENDA Y ADMINISTRACIONES PÚBLICAS. *El acuerdo de las perpectivas financieras 2007-2013* [online]. 2008 [05.03.2014]. Available from: http://www.dgfc.sgpg.meh.es/sitios/dgfc/esES/ipr/fcp0713/p/npf0713/Documents/52_ZamoraKaiser.pdf.

Table 4.1: Financial allocations for Spain in 2007-2013 (EUR)

	2007	2008	2009	2010	2011	2012	2013	TOTAL
Cohesion Fund	1,270,265,976	917,767,168	550,660,301	280,836,753	229,162,791	175,309,535	119,210.484	3,543,213,008
ERDF and ESF	2,831,950,897	2,888,589,915	2,946,361,714	3,005,288,948	3,065,394,727	3,126,702,622	3,189,236,673	21,053,525,496
Phasing-out	365,403,162	322,224,861	277,173,266	230,190,718	181,218,001	130,194,296	77,057,156	1,583,461,460
Phasing-in	1,280,771,662	1,067,951,407	846,106,035	614,959,665	374,229,000	381,713,581	389,347,851	4,955,079,201
Competitiveness	473,812,288	483,288,533	492,954,304	502,813,390	512,869,658	523,127,051	533,589,592	3,522,454,816
Territorial Cooperation	72,984,236	74,805457	77,039,100	79,708,309	82,453,468	84,885,214	87,381,249	559,257,033
TOTAL	**6,295,188,221**	**5,754,627,341**	**5,190,294,720**	**4,713,797,783**	**4,445,327,645**	**4,421,932,299**	**4,395,823,005**	**35,216,991,014**

Source: GOBIERNO DE ESPAÑA. MINISTERIO DE HACIENDA Y ADMINISTRACIONES PÚBLICAS [online], 2007, p.8, own elaboration

Regions that received the investment: Andalucia, Castilla-La Mancha, Extremadura and Galicia fall under the **Convergence objective**, while Asturias, Ceuta, Melilla and Murcia come under Statistical **Phasing-out** regions. Aragon, Baleares, Cantabria, Cataluna, Madrid, Navarra, Pais Vasco and La Rioja fall under **the Regional Competitiveness and Employment objective**, with Canarias, Castilla y Leon and Comunidad Valenciana being Statistical **Phasing-in** regions. Apart from the regions covered by transitional sub-objectives (Phasing-out and Phasing-in), only Cantabria saw a change between the 2000-2006 and 2007-2013 periods (moving from objective 1 Phasing-out for 2000-2006 to the full Regional Competitiveness and Employment objective for 2007-2013). From 2007 to 2013, 16.3 million people were living in Convergence regions (37 % of the total, compared to 59 % in 2000-2006).

To measure the **impact** of the investment, Spain had set the following target indicators for 2013: a rate of employment of 70 % (57 % female); research and development (R+D) expenditure of 2 % of GDP (55 % from the private sector); internet use of 99 % in small and medium sized enterprises, 65 % in households; a reduced rate (15 %) of pupils leaving school early; and reduced CO_2 emissions of up to 24 % of 1990 levels[100]. Indicators specifically targeting the Convergence regions include: extending railway density up to 35 km/1 000 km^2 and retaining the current percentage of people living in localities of less than 10 000 inhabitants. These objectives are in line with those identified in the *National Reform Programme for Spain.* The NSFR financial table is shown in the Enclosure 20.

[100] GOBIERNO DE ESPAÑA. MINISTERIO DE HACIENDA Y ADMINISTRACIONES PÚBLICAS [online] 2008, ref. 99.

4.1.2 The Community's Strategic Guidelines on Cohesion

It has been explained before that one of the legal requirements of the National Strategic Reference Framework is to 'ensure consistency between Structural Funds and Cohesion Fund interventions and the Community's Strategic Guidelines (CSG) in terms of cohesion'. These Guidelines were approved by Council Decision of 6 October 2006, and define a master framework for funds intervention.

Consistent with their denomination, the Guidelines lay down the most important priorities of the Cohesion Policy for the programming period in force. These may be synthesized as follows:

- Increase the allure of the EU Member States, regions and towns by improving accessibility, ensuring an appropriate service level and preserving the environment;
- stimulate business and knowledge-based economy development, mainly by promoting R+D+i and ICTs;
- create more and better jobs, increase employment rates and encourage investment in human capital.

The National Strategic Reference Framework is one of the instruments used for the application of the Community Strategic Guidelines in Spain. In this sense, the final objectives of the NSRF have been defined as direct response to the provisions of the CSG, to which a further objective more specifically related to the improvement of the institutional capacity has been added.

Therefore, the analysis of the relationship between the NSRF and the CSG results in all measures within the latter being covered by one of the NSRF axes, and in all Framework axes having a direct relationship with a specific measure of the Guidelines, with the exception of axis 4 of the European Social Fund, which corresponds to the global objective of promoting cooperation beyond national borders and more specifically, section 6 of article 3 of *Regulation (EC) 1081/2006*, related to the ESF[101]. More detailed the objectives and measures of the Cohesion Policy are shown in Enclosure 21.

The combination of the Strategic Guidelines and the peculiarities of the different Spanish regions make it possible to establish and **objectives-based strategy**.

[101] GOBIERNO DE ESPAÑA. MINISTERIO DE HACIENDA Y ADMINISTRACIONES PÚBLICAS [online] 2007, ref. 98.

Therefore, the NSRF sets forth four major final objectives to be implemented through 27 priority axes, which, in turn, will be materialized (according to the characteristics of each territory or strategic sector) under any of the 86 spending categories established for the ERDF, the ESF and the Cohesion Fund.

The distribution of the number of axes in NSRF is as follows:

- ERDF: Convergence regions, phasing-out and phasing-in: 7 axes,
- ERDF: Regional Competitiveness and Employment regions: 5 axes,
- ERDF: Ultra-Peripheral regions: 2 axes,
- ERDF: Trans-border cooperation: 5 axes,
- European Social Fund: 5 axes,
- Cohesion Fund: 3 axes.

The following section will define the coherence of these axes with the strategic priorities at European and national level, and section 4.4 will deal with the specific axes of the NSRF and the main actions linked thereto in further detail. The allocations of the EU funds for Spain in the programming period are shown in the Table 4.2.

Table 4.2: EU Funds allocation for Spain 2007-2013 (in billion EUR)

Objective	Fund	EU	National Public	TOTAL
Convergence	CF	4	1	5
	ERDF	17	7	24
	ESF	5	1	6
Total Convergence		**26**		
Regional Competitiveness and Employment	ERDF	6	4	10
	ESF	3	2	5
Total Regional Competitiveness and Employment		**9**		
Total European Territorial Cooperation	ERDF	1	-	1
TOTAL		**36**	**15**	**51**

Source: EUROPEAN COMMISSION [online], 2008b; own elaboration

4.1.3 Spain's National Reform Programme

It has already been mentioned before that, pursuant to the EU Regulation governing the contents thereof, the NSRF must define the links between the Community priorities, on the one hand, and the *National Reform Programme* (NRP), on the other hand.

The National Reform Programme constitutes the main tool through which the actions undertaken by Spain in order to achieve the objectives defined in the re-launched Lisbon Strategy are channelled. **The main objectives** of the *National Reform Programme* for 2007-2013 were:

- Full convergence with the European Union (EU-25) by 2010,
- Reaching an employment rate of 66 % by 2010.

The National Reforms Programme revolves around **7 action lines**, which were:

- Axis 1: Reinforcement of macro-economic and budget stability,
- Axis 2: Infrastructures,
- Axis 3: Increase and improvement of human capital,
- Axis 4: R+D+I[102] Strategy ('Ingenio 2010'),
- Axis 5: More competitiveness, better regulation and efficiency in public administrations, competitiveness,
- Axis 6: Job market and social dialog,
- Axis 7: Business Promotion Plan.

Given that NSRF funds are limited, a selection has been made from among all the actions foreseen in the NRP, focusing on those that may be show added value through the structural funds[103].

In comparison to 2000-2006, and despite a reduction of more than 40 % in EU assistance, the Spanish programme has significantly increased its support for the *Lisbon Strategy*, notably in the areas of research, innovation and information society, with the total allocation doubling to just under 8 bn EUR.

[102] Research + Development + Innovation.
[103] GOBIERNO DE ESPAÑA. MINISTERIO DE HACIENDA Y ADMINISTRACIONES PÚBLICAS [online], 2007, ref. 98.

In addition, more than 8 bn EUR have been set aside for the development of human capital, which is expected to directly benefit more than 14 million people by way of training, jobs and opportunities for creating new companies.

These efforts are particularly important in full Convergence regions, where Lisbon-related expenditure has increased from about 53 % to almost 70 %. Similar efforts have been undertaken in full Competitiveness and Employment regions, where this percentage has exceeded 80 %.

4.1.4 Operational programmes

The Operational programmes are the programming documents approved by the European Commission to develop and specify a development strategy to be co-financed with European Funds, comprising a coherent set of priority phases of multi-annual measures. In this programming period they are single-fund type. There is only one Multi-fund Operational Programme that corresponding to the *FEDER*[104] *Cohesion Fund*. A regional operational programme is an operational programme that applied to a specific region, whose financing falls to a single Fund, with the exception already mentioned. Multi-regional or sectored operational programmes also exist, referring to all of the Spanish regions or to all of the Convergence, Phasing-out and Phasing-in regions.

National programmes:

- OP Technical Assistance,
- OP Cohesion Fund – ERDF.

Multiregional programmes:

- OP Knowledge - based Economy,
- OP Research, Development and Innovation for and by Enterprises - Technology Fund[105].

[104] ERDF and CF Operational programme.

[105] EUROPEAN COMMISSION. Regional Development Programmes 2007-2013 *Ec.europe.eu* [online]. 2012 [10.02.2014]. Available from: http://ec.europa.eu/regional_policy/country/prordn/search.cfm?gv_pay=ES&gv_reg=ALL&gv_obj=ALL&gv_the=ALL&lan=EN&gv_per=2.

Regional programmes: OP Castile–La Mancha, OP Canary Islands, OP Castilla y Léon, OP Extremadura, OP Murcia, OP Asturias, OP Ceuta, OP Melilla, OP La Rioja, OP Andalusia, OP Valencia, OP Galicia, OP Basque Country, OP Catalonia, OP Cantabria, OP Navarre, OP Aragon, OP Balearic Islands, OP Madrid.

Cross-border, transnational and interregional co-operation: OP Spain - Portugal, OP Madeira - Açores - Canarias, OP Atlantic Area, OP South West Europe, OP Mediterranean Programme, OP France - Spain - Andorra, OP Spain - external borders 2008-2013 cross-border cooperation.

The ERDF - Cohesion Fund's Operational Programme for the period 2007-2013, responds to sectorial diagnostics of transports and the environment, through a strategy derived from the *Strategic Infrastructures and Transport Plan* (SITP) and the *WATER Plan*, which are complemented by specific activities concerning the environment, concentrating on the area of waste and the prevention of natural risks[106].

The European Territorial Cooperation Objective had to intensify cross-frontier cooperation through joint local and regional initiatives, as well as trans-national cooperation, in pursuit of an integrated territorial development, interregional cooperation and the exchange of experiences. This objective is based on the experience of the community's INTERREG initiative from the period 2007-2013. The dimensions of European Territorial Cooperation are as follows:

- Cross-Border Cooperation (INTERREG IV A);
- Trans-National Cooperation (INTERREG IV B);
- Interregional Cooperation (INTERREG IV C);
- Interact II.

Incorporation of the Cohesion Fund in the programming process of the Structural Funds has permitted the design of CF activities to be integrated in a strategic logic, which has been conceived with the participation of the different bodies of the State Administration with responsibility for future activities, and of the Autonomous Regions.

[106] GOBIERNO DE ESPAÑA. MINISTERIO DE HACIENDA Y ADMINISTRACIONES PÚBLICAS. Regional Policy and its instruments [online]. 2013 [05.03.2014]. Available from: http://www.dgfc.sgpg.meh.es/sitios/DGFC/en-GB/ipr/Paginas/inicio.aspx.

The NSRF has been implemented in 45 Operational Programmes under both the Convergence and the Regional Competitiveness and Employment objectives. Of these, 23 will receive funding from the European Regional Development Fund (including one joint operational programme with the Cohesion Fund), with 22 receiving funding from the European Social Fund. Mention should be made of a new Technology Fund which is associated with these programmes and is devoted to research and innovation for and by enterprises, nationwide action targeting integrated urban development, initiatives leading to a better balance between professional and private life, and actions aimed at reducing the rate of pupils leaving school early.

4.1.5 Managing authorities of the EU Cohesion Policy in Spain

Ministry of Economy and Finance, Directorate General of Community Funds, the Directorate of Administration ERDF is responsible for 22 Operational Programmes: OP Canary Islands, OP Galicia, OP Cantabria, OP Aragon, OP Balearic Islands, OP Madrid, OP Castile–La Mancha, OP Technical Assistance, OP Castilla y Léon, OP Extremadura, OP Murcia, OP Asturias, OP Knowledge-based Economy, OP Ceuta, OP Research, Development and Innovation for and by Enterprises - Technology Fund, OP Melilla, OP La Rioja, OP Andalusia, OP Valencia, OP Basque Country, OP Catalonia, OP Navarre.

Ministry of Economy and Finance, Directorate General of Community Funds, Directorate of Cohesion Fund and European Territorial Cooperation, General Branch Cohesion Fund and European Territorial Cooperation working with Operational Programme Cohesion Fund – ERDF. The Ministry of Economy and Finance is situated in Madrid on the Paseo de la Castellana, 162.

Managing authorities for European Territorial Cooperation

Directorate General of Economy, Government of Cantabria, Working Community of the Pyrenees or CONSORCIO CTP is operated with OP France - Spain - Andorra and OP South West Europe. It is situated in Santander, on the Hernán Cortés 9 street.

Bureau of Planning and Budget of the Government of the Canary Islands Joint Technical Secretariat works over the OP Madeira - Açores - Canarias, wich is located in Las Palmas de Gran Canaria, Nicolás Estévanez 30.

Ministry of Economy and Finance from Paseo de la Castellana, 162, Madrid is responsible of OP Spain - Portugal and OP Spain - external borders 2008-2013 Cross-Border Cooperation[107].

4.2 Evaluation of the Cohesion Policy in Spain in the programming period 2007-2013

The relaunch of the Union's Lisbon Strategy in 2005 aimed to bolster the competitive position of EU regions in the world economy by placing growth, jobs and competitiveness at the top of the Union's agenda. For the 2007-2013 period, European Union Cohesion Policy had attached increasing importance to delivering the so-called **Lisbon objectives**. For the programming period 2007-2013, Spain had substantially refocused Cohesion Policy priorities from physical infrastructure in transport and environment towards the core Lisbon objectives, notably in the areas of research, innovation and the information society. In financial terms, 79 % of the funding in the Convergence regions and 81 % in the Regional Competitiveness and Employment regions was invested in Lisbon-related priorities. A significant increase had been agreed for the *Research and Development* (R&D), innovation and information society sectors, up from about 3.9 bn EUR in 2000-2006 to over 8 bn EUR in 2007-2013[108], including the two new multi-objective programmes: the *Technology Fund programme*, devoted to research and innovation for and by enterprises, and the *Knowledge Economy programme.*

The main priorities of the EU Cohesion Policy in Spain for that period were the investments in R&D, innovation, entrepreneurship, transport and environmental projects which represented the highest area of support, with 12 bn EUR of funds (35 % of the total allocation for Spain).

In the 2007-2013 period, the investments focused on closing the remaining gaps in transport infrastructure, mainly in Convergence regions and remote areas, with investments of 7.5 bn EUR.

[107] EUROPEAN COMMISSION. Managing authorities. *Ec.europe.eu* [online]. 2013c [23.03.2014]. Available from: http://ec.europa.eu/regional_policy/manage/authority/authorities.cfm?lan=EN&pay=es#2.
[108] EUROPEAN COMMISSION. *European Cohesion Policy in Spain* [online]. 2013c [10.03.2014]. Available from: http://ec.europa.eu/regional_policy/sources/docgener/informat/country2009/es_en.pdf.

To increase labour participation, Spain had allocated a large amount of the ESF money to attracting and retaining more people in employment. 45.5 % of the ESF, or 3.6 bn EUR, was supported access to employment by modernising and strengthening labour market institutions and implementing preventive and active labour market institutions: 225 million EUR of this allocation was used to improve access to employment for women.

Particular attention had been given to the water resources, with 4 bn EUR allocated to management and distribution of water (2 bn EUR) and to waste water treatment (2 bn EUR).

The ERDF has supported electronic services and applications for citizens (e-health, e-government, e-learning, e-inclusion, etc.) with some 741 million EUR within the Information Society priority.

Some 461 million EUR was devoted to operations for energy efficiency and alternative sources of energy. 860 million EUR (10.6 % of the total ESF allocation in Spain) were devoted to the activities jointly undertaken by the social partners, notably regarding the adaptability of workers and enterprises. A total of 218 million EUR of ESF support were directed towards the integration of migrants. Of the ESF support for Spain, 6.65 % aims to tackle the poverty and social inclusion challenges[109].

4.2.1 NSRF-level evaluation

The *NSRF Strategic Report 2009* noted in its conclusions how the programming of the Funds in Spain for 2007-2013 has reinforced the emphasis on the knowledge economy, in business development, innovation and investment in human capital.

The 2009 Report considered that despite the situation of economic-financial crisis, the strategy outlined in the NSRF and OPs remained valid and relevant for both the ERDF and ESF to the Cohesion Fund, so it should stay and enforce.

[109] EUROPEAN COMMISSION [online], 2013c, ref. 107.

However, already mentioned that the economic crisis would have significant implications when to continue the strategy of the NSRF:

- First, due to the significant budgetary contraction at all levels of Spanish government. This fact conditions the possibility of financing activities;
- Second, due to the high number of actions related development of the knowledge economy, which depend mostly on the Private business performance[110].

Therefore, the 2009 report concluded that the implications of the economic situation, coupled with the implementation of the automatic decommitment rule of the Funds may incur in the near future some POs reprogramming to ensure full and effective absorption of these.

Spain's socio-economic context has notably changed since the approval of the NSRF in May 2007 and the operational programmes in December 2007, as evidenced by the swift shift from a context of strong economic growth and job creation to a situation of economic recession and job destruction. In this respect, the labour market deserves special attention. The sharp deterioration in the rate of employment and the intense rise in the rate of unemployment, namely during 2009, are the most worrisome aspects in the socio-economic evolution during the last past months. Reversing the current trend and recovering pre-crisis levels of job creation should be top priorities in economic policy.

The **SWOT analysis**[111] shows that Spain's economic weaknesses are basically unchanged. However, the mentioned analysis also reveals that some of these deficiencies have intensified, particularly those related to the labour market, the productive system, R+D+I investment or those related to productivity and competitiveness. New weaknesses have also been detected in the labour market. High unemployment rates affecting workers below 25 years of age, long term unemployment and low levels of qualification of the labour force, represent some of these new deficiencies. On the other hand, the SWOT analysis unveils that the strengths of the Spanish economy are still relevant at the national and regional level, despite the fact that the strong points of the labour market had to be reformulated in order to adapt them to the new situation of job destruction.

---

[110] GOBIERNO DE ESPAÑA. MINISTERIO DE HACIENDA Y ADMINISTRACIONES PÚBLICAS. *Siguimiento estrategico. Informe 2012* [online]. 2013 [07.03.2014]. Available from: http://www.dgfc.sgpg.meh.es/sitios/dgfc/es-ES/ipr/fcp0713/e/ie/se/Documents/Informe_2012.pdf.

[111] is a structured planning method used to evaluate the **s**trengths, **w**eaknesses, **o**pportunities, and **t**hreats involved in a project or in a business venture.

Finally, it must be pointed out that strong financial and budget constraints will most probably diminish the capacity to reinforce the strengths and mitigate the weaknesses of the Spanish economy. Therefore, the different policies will have to be concisely evaluated in order to achieve the most efficient allocation of resources possible, whilst taking into account their scarcity.

The programming of EU Structural Funds in Spain during the 2007-2013 programming period has put special emphasis on the knowledge economy, entrepreneurial development, innovation, and investment in human capital.

Different international and national analyses of the Spanish economy reveal that the path to follow in order to overcome the current crisis is similar to that envisaged in the programming of the structural funds and the Cohesion Fund. The main conclusion drawn from the 2009 Strategic Report is that the designed strategy is still valid and appropriate; hence, the initial programming of the structural funds and the Cohesion Fund should be maintained and carried out. Indeed, the NSRF's objectives comprise the priorities contemplated within the scope of the Operational programmes, whilst responding, at the same time, to the needs identified in the socio-economic context analysis. Nonetheless, the **economic crisis** entails a series of relevant implications that have to be considered when implementing the NSRF:

- First of all, there is an important **budgetary contraction** at all levels of the Spanish Administration. This fact determines the possibility of funding interventions and, thus, subsequently obtaining EU financing;
- there are **several interventions** within the main programming priority, such as the Development of a Knowledge-Based Society, that depend on the behaviour of private firms. Their lack of demand, due to deteriorating economic results and financial restrictions might affect the attainment of the foreseen results in this field;
- at the same time, as **regards the labour market and human capital**, an optimal combination of contractual flexibility and active labour policies that offer a prompt response to fight against massive job destruction should be pursued. Long run measures that impinge on aspects such as the strengthening of the educational system, the improvement of population formative levels, and the acquisition of knowledge and skills with a strong technological component, can be fostered too.

In sum, Cohesion Policy in Spain has articulated, through the different funds: ERDF, ESF and CF; a collection of initiatives that respond to structural weaknesses and needs of the Spanish economy, such as those relative to the underdevelopment of the research, development, innovation sectors - especially in the private sector, too much reliance on highly cyclical sectors as well as on medium and low technological intensive industries, and persistent labour market or educational and formative deficiencies.

4.2.2 The evaluation of the European Regional Development Fund and Cohesion Fund

After five years of implementing the programme, the results observed from the data on total expenditure declared to December 31of 2011 show that the investment made to date amounts to 13,355,000 EUR, what a programmed total of 35,377,000 EUR, accounting for **37.8 %** of the total allocation for the whole period[112]. The effects of the continuing economic crisis that has accompanied the start braking interventions are undoubtedly greater acceleration of spending, given the budgetary adjustments in all Spanish government. Therefore, it can be inferred that despite the delay in the implementation of Operational Programmes are substantive arguments that justify this behaviour. The evaluation of the ERDF and CF are shown in the Table 4.3.

Table 4.3: Evaluation of the ERDF and Cohesion Fund (EUR)

Regions		Programmed expenditure (a)	Expenditure declared (b)	(b) / (a)
ERDF	Convergence	27,053,852,154	9,671,606,604	35.7 %
	Competitiveness	3,894,334,612	1,394,413,125	35.8 %
ERDF total		30,948,186,766	11,066,019,729	35.8 %
Cohesion Fund		4,429,016,260	2,289,177,253	51.7 %
TOTAL		**35,377,203,026**	**13,355,196,982**	**37.8 %**

Source: GOBIERNO DE ESPAÑA. MINISTERIO DE HACIENDA Y ADMINISTRACIONES PÚBLICAS [online] 2013; own elaboration

By region and type of EU funds, investments financed by the Cohesion Fund reach the highest level of performance with 51.7 % of the total scheduled and ERDF only 35.8 %. Regarding the ERDF Competitiveness regions presented a financial efficiency of 35.8 %, slightly higher than the pure convergence regions, phasing out and phasing in is the 35.7 %.

[112] GOBIERNO DE ESPAÑA. MINISTERIO DE HACIENDA Y ADMINISTRACIONES PÚBLICAS [online] 2013, ref. 109.

As shown in the Enclosure 22. Phasing out regions were showing a greater degree of implementation, 57.8 %, mainly due to the efforts of the Principality of Asturias reached 73.8 %.

By contrast, the lagging performances were among the Competitiveness regions, with 32.3 % on average, including the Balearic Islands, with 20.3 % of expenditure declared, followed by Cantabria and Navarra.

It should be noted however *La Rioja*, with the best level of performance (78.6 %); however it should be mentioned that programmed expenditure, after the cities of *Ceuta* and *Melilla*. Moreover, the phasing-in regions are running averaging 44.3 %; noted for its implementation *Castilla y León* with 61.7 %.

And finally, the Convergence regions had a degree of execution of 34.8 % on average, highlighting in this group *Castilla –La Mancha* spots, with 59.4 % of execution[113].

4.2.3 The evaluation of European Social Fund

The ESF expenditure forecast for the period 2007-2013 in Spain is approximately 8,057 million EUR. The accumulated set of ESF expenditure totaled 3,643 million EUR, representing a cumulative financial efficiency exceeds 45 % compared to all scheduled for 2007-2013 total on the date of 31.12.2011 as it mentioned in Table 4.4. Therefore, it is possible to say that in general, the degree of overall financial performance is being moderated.

Table 4.4: Evaluation of the ESF (EUR)

Regions		Programmed expenditure (a)	Expenditure declared (b)	(b) / (a)
ESF	Convergence	5,247,806,135	2,016,896,489	38.4 %
	Competitiveness	2,809,522,687	1,626,617,200	57.8 %
TOTAL		**8,057,328,822**	**3,643,513,689**	**45.82 %**

Source: GOBIERNO DE ESPAÑA. MINISTERIO DE HACIENDA Y ADMINISTRACIONES PÚBLICAS [online] 2013; own elaboration

113 GOBIERNO DE ESPAÑA. MINISTERIO DE HACIENDA Y ADMINISTRACIONES PÚBLICAS [online] 2013, ref. 109.

4.2.4 Towards the Lisbon criteria

In the period 2007-2013 the Lisbon earmarking established the requirement to allocate to basic objectives of the renewed Lisbon strategy for at least 60 % of expenditure in Convergence objective and 75 % for competitiveness regions. Spain pledged to allocate 69 % of the financial allocations of ERDF and CF to actions that meet the Lisbon criteria for convergence and phasing out regions. For regions and phasing in competitiveness was agreed to keep 75%.

The weight of the priorities of Lisbon on the expenditure declared until December 31 in 2011 is quite high, reaching 76.6 %. This means that the rest of priority issues the OP is dedicated only 23.4 % of the total expenditure declared. So the Cohesion Fund ERDF has completed the expenditure declared for the corresponding period this earmarking of Lisbon.

Within the objective of competitiveness, the Basque Country and Navarre reach a high level (95.2 % and 94.5 % respectively); Balearics the lowest level of compliance (56.8 %). From Convergence objective stresses Castilla y León (87.7 %) and at the other end Ceuta and Asturias (41.5 % and 43.5 % respectively). Phasing-out regions presented a degree of execution higher, with 52.9 %, with high performance of Asturias (59.5 %).

The lagging performances were among the Convergence regions, with 33.8 % on average, especially Galicia, with 32.6 % of expenditure declared. Stresses however Castilla-La Mancha, made 64.8 % of execution in Lisbon. Moreover, the Phasing-in regions showed an average 47.3 % of execution, among which stands out for its execution Castilla y León with 65.6 %[114].

And finally, the Competitiveness regions had a degree of execution in Lisbon 35.3 % on average, highlighting in this group with La Rioja 90.6 % execution. The evaluation of Lisbon criteria are shown in the Enclosure 23.

Given the above situation, reflecting the effects of a deep crisis international and, in particular, of Spain, it is important to leverage the strengths of the economy Spanish and empower them in parallel with the structural adjustment measures that are being place. On the other hand, these strengths are also relevant to defining the future investment strategy of the EU Cohesion Policy 2014-2020.

[114] GOBIERNO DE ESPAÑA. MINISTERIO DE HACIENDA Y ADMINISTRACIONES PÚBLICAS [online] 2013, ref. 109.

5 Implications of the EU Cohesion Policy 2014-2020 for Spain

The European Union faces the daunting challenge of emerging from the crisis and putting economies back on a sustainable growth path. The exit strategy entails restoring sound public finances, growth-enhancing structural reforms and targeted investments for growth and jobs. For the latter, the CSF funds[115] can make an important contribution to sustainable growth, employment and competitiveness and increase the convergence of less developed Member States and regions with the rest of the Union.

5.1 Objectives and geographical eligibility of the regions in Spain

The *European Structural and Investment Funds* (ESIF) included in Spain for the period 2014-2020, the European Social Fund, European Regional Development Fund, European Agricultural Fund for Rural Development and background European Maritime and Fisheries. In that period, Spain is **not eligible for the Cohesion Fund**.

ESIF aim to promote competitiveness and convergence of all territories and are essential to address the major challenges of development in Spain and the implementation of the Europe 2020 Strategy. Each fund gives priority to the matters in on specific Council recommendations to Spain, those identified in the National Reform Programme and the Position Paper report of the Commission[116].

The main challenge of socioeconomic Spanish model is the need to increase productivity and competitiveness and promote employment in a context of fiscal consolidation and credit crunch. Spain is crucial to strengthen measures to increase productivity and employment boost private investment and develop sectors with high growth potential.

In this context, the general priorities emerge as capacity building of human capital, facilitating access to finance for SMEs and create a favorable business environment for innovation.

[115] The EU funds covered by the Common Strategic Framework (CSF), i.e. the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF).
[116] Position of the Commission Services on the development of Partnership Agreement and programmes in Spain for the period 2014-2020.

Equally important is to improve the quality of education and training, combat the high level of early school leaving and the mismatch between the large number of students in higher education and skills demanded in the productive sectors.

So, as set the *Position Paper*, Spain needs a general reorientation of public spending towards research and innovation; support for SMEs; the quality of education and training; inclusive labor markets to promote the quality of employment and social cohesion and result in significant increases in productivity; the integration of the objectives on climate change; and the transition to a low carbon and resource efficient. To do this, the planning and execution of the SEI Funds in Spain raises an approach that responds to the challenges identified, in order to:

- Optimize the impact of the co-financed actions. The Europe 2020 objectives are integrated into the various funds EIE, so that each contributes to promote smart, sustainable and inclusive growth, taking into account the horizontal principles of equal opportunities and sustainable development,
- promote the sectors with a high growth potential,
- exploit synergies between funds, as well as other policies and instruments of the Union,
- contribute to advance reforms defined in Spain to overcome the crisis, especially oriented employment, productivity and competitiveness,
- support financial instruments and private investment in order to achieve an effect multiplier of public resources[117].

To achieve these objectives, the intervention of the Funds is concentrated in a limited number of priorities, which will increase the effectiveness of public interventions and achieve the critical mass necessary to cause a significant impact on the socio-economic situation of Spain and its regions.

[117] GOBIERNO DE ESPAÑA. MINISTERIO DE HACIENDA Y ADMINISTRACIONES PÚBLICAS. *Acuerdo de Asociacion 2014-2020* [online]. 2014b [30.03.2014]. Available from: http://www.dgfc.sgpg.meh.es/sitios/dgfc/es-ES/ipr/fcp1420/p/pa/Paginas/inicio.aspx.

With respect to the architecture of the EU Cohesion Policy 2014-2020, current objectives of Convergence and Regional Competitiveness and Employment, become subsumed in a single goal: investment in growth and jobs, maintaining the objective of European territorial cooperation. The comparison of the architecture of the EU Cohesion Policy between 2007-2013 and 2014-2020 periods are shown in the Figure 5.1.

Figure 5.1: Comparison of the EU Cohesion Policy architecture (2007-2020)

COHESION POLICY ARCHITECTURE				
2007-2013		2014-2020		
Objectives		**Goals**	**Category of regions**	**Funds**
Convergence	ERDF ESF	Investment in Growth and Jobs	Less developed regions	ERDF ESF
Convergence phasing out			Transition regions	
Regional Competitiveness and Employment Phasing in				
	Cohesion Fund			Cohesion Fund
Regional Competitiveness and Employment	ERDF ESF		More developed regions	ERDF ESF
European Territorial Cooperation	ERDF	European Territorial Cooperation		ERDF

Source: CONSEJO ECONOMICO DE ESPAÑA [online], 2013

Typology of regions receiving ERDF and ESF is renamed. The convergence regions which include those with a GDP per capita below 75 % of the average of the European Union are renamed 'less developed regions'. The Phasing-out regions (or phasing of convergence) and Phasing-in (or phasing in regional competitiveness and employment) are covered by the category of 'transition regions' and are those whose GDP per capita is between the 75 % and 90 % of the average EU-27. Finally, the regions belonging to the regional Competitiveness and Employment objective renamed 'more developed regions' must have GDP per capita higher than 90 % of the Community average[118].

[118] CONSEJO ECONOMICO DE ESPAÑA. *Acuerdo de Asociacion de España en el marco de la Politica de Cohesion 2014-2020* [online]. 2013 [30.03.2014]. Available from: http://www.ces.es/documents/10180/526241/Inf0213.pdf.

According to the new criteria and according to the initial simulation carried out by the European Commission, most of the less developed regions will focus in this programming period in the eastern countries.

With regard to Spain, Extremadura only remain in the group of less developed regions; Andalucía, Canarias, Castilla - La Mancha, Galicia and Murcia regions would be classified as a transition, and the rest would be considered more developed regions, which would result in a reduction in the amount of Structural Funds received by Spain over the past programming period. The map of Structural Funds eligibility of 2014-2020 period is shown in the Enclosure 24.

5.1.1 Financial instruments

The European Union must face in this new programming period the difficult challenge of overcoming the crisis and their economies back on track in the path of sustainable growth. This exit strategy involves restoring sound public finances, structural reforms to enhance growth and targeted investments for growth and employment. The EU 2020 strategy defines the objectives of the EU Cohesion Policy for the period 2014-2020. This is a growth strategy aimed at achieving a smart, sustainable and inclusive economy. These three priorities, which are mutually reinforcing, will help the EU and its Member States to generate high levels of employment, productivity and social cohesion. Through the European Regional Development Fund, the European Social Fund and Cohesion Fund (Spain does not receive structural assistance from the Cohesion Fund in 2014-2020), the following objectives will be pursued:

- Investment for growth and jobs supported by all Funds,
- European Territorial Cooperation, supported by the ERDF.

The European Regional Development Fund, the European Social Fund, European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund pursue complementary policy objectives, and management is shared between Member States and the Commission. They are the main source of investment at EU level to help Member States to restore and enhance growth and ensure recovery that creates jobs, while ensuring sustainable development, in line with the objectives of the Europe 2020 strategy.

The *Treaty on the Functioning of the European Union* (TFEU) assigned clear objectives to these instruments. The Commission considers that these objectives can be achieved more effectively if the five Funds are better coordinated to avoid duplication and maximize synergies, if they are fully integrated into the economic governance of the European Union, and they contribute to the realization of the Europe 2020 strategy, involving national, regional and local stakeholders.

The Commission has proposed a regulation of common rules for the five Funds (Cohesion Fund shall not apply to Spain in 2014-2020).

This provides have much closer coordination of the Funds to achieve:

- The concentration of resources in the Europe 2020 objectives through a set of common thematic objectives that contribute to the Funds;
- simplification through planning and implementation mechanisms more consistent;
- greater focus on results through a framework and performance reserve;
- the harmonization of eligibility rules and an extension of simplified cost options to reduce the administrative burden on beneficiaries and managing authorities.

The ERDF contribute to all thematic objectives and focus investment in areas related to the context in which firms operate (infrastructure, service, support entrepreneurship, innovation, ICT and research) and the provision of services to citizens in certain areas (energy, online services, education, health, social infrastructure and research, accessibility, environmental quality). The Cohesion Fund focuses on the improvement of the environment, sustainable development and the Trans-European Transport Networks (TEN-T).

The ESF is scheduled under **four thematic objectives**: employment and labour mobility; education, skills and lifelong learning; promoting social inclusion and combating poverty and strengthening administrative capacity. However, the actions supported by the ESF are also contributed to the achievement of the other thematic objectives.

The six priorities of EAFRD are a smart, sustainable and inclusive growth in the agricultural, food and forestry sectors, and in rural areas as a whole; include the transfer of knowledge and innovation, the competitiveness of agriculture, management of natural resources and climate action, and inclusive development of rural areas.

EMFF priorities in line with the reform of the Common Fisheries Policy focus on the viability and competitiveness of fisheries and aquaculture, while ensuring support for its environmental sustainability.

The EMFF promoted social cohesion and job creation in communities that depend on fishing, particularly by diversifying into other maritime sectors, as well as actions in the field of integrated Maritime Policy[119]. Following the public consultation process undertaken by the European Commission in late 2010, in order to lay the foundations for the future cohesion policy for the period 2014-2020, on October 6, 2011 the Commission presented a series of proposals legislation based on the proposal of the MFF for that same period, including:

- A general regulation establishing common rules that govern the ERDF, ESF, CF, EAFRD and EMFF (*Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006*),
- three specific regulations for the ERDF, ESF and CF (*Regulation (EU) No 1301/2013 of the European Parliament and of the Council of 17 December 2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006; Regulation (EU) No 1304/2013 of the European Parliament and of the Council of 17 December 2013 on the European Social Fund and repealing Council Regulation (EC) No 1081/2006; Council Regulation (EU) No 1300/2013 of 17 December 2013 on the Cohesion Fund and repealing Council Regulation (EC) No 1084/2006*),
- one regulation for the EAFRD (*Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005*),

[119] GOBIERNO DE ESPAÑA. MINISTERIO DE HACIENDA Y ADMINISTRACIONES PÚBLICAS. *La Politica Regional y sus instrumentos* [online]. 2014c [30.03.2014]. Available from: http://www.dgfc.sgpg.meh.es/sitios/dgfc/es-ES/ipr/fcp1420/Documents/Fondos_comunitarios_Resumen.pdf.

- two regulations dealing with the objective of European territorial cooperation and European Grouping of Territorial Cooperation (EGTC) (*Regulation (EU) No 1299/2013 of the European Parliament and of the Council of 17 December 2013 on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal; Regulation (EU) No 1302/2013 of the European Parliament and of the Council of 17 December 2013 amending Regulation (EC) No 1082/2006 on a European grouping of territorial cooperation (EGTC) as regards the clarification, simplification and improvement of the establishment and functioning of such groupings*),
- and two regulations of the European Globalisation Adjustment Fund and the Programme for Social Change and Innovation *(Proposal for a Regulation of the European Parliament and of the Council on the European Globalisation Adjustment (2014-2020), COM (2011) 608 final of 6 October 2011 and proposed regulation of the European Parliament and the Council on a Programme the European Union for social Change and Innovation, COM (2011) 609 final of 6 October 2011)* [120].

The Commission has made important changes to cohesion policy, in order to contribute to achieving the objectives and goals for growth and employment in Europe 2020. This commitment to focus on a smaller number of better priorities related to the Europe 2020 strategy, the focus on results, a more rigorous monitoring of progress in achieving agreed objectives, greater use of conditionality and simplifying execution systems.

To help improve the effectiveness of EU expenditures and consistent with the territorial approach of the Lisbon Treaty, the Commission proposal provides for a Common Strategic Framework for all structural funds, which move the objectives of Europe 2020 into investment priorities and, therefore, provide a clear strategic direction to the programming process, facilitating sector and territorial coordination of intervention union.

[120] EUROPEAN COMMISSION [online], 2014h, ref. 62.

5.1.2 Programming framework for Spain in 2014-2020

The proposed 2014-2020 legislation for the CSF funds offers additional flexibility to set up programmes in each Member State to best match their institutional set-up. Cooperation at all levels is a key to achieving quality of spending. The programming framework includes elements of the Common Strategic Framework and sets out different options for integrated approaches to programming, to achieve coordination and synergies during implementation, which MS are encouraged to explore.

For the ESF, the option to design thematic interregional OPs linked to the *Europe 2020* targets and country specific recommendations may present opportunities too.

For rural development, the option to draw up thematic sub-programmes within a rural development programme provides the opportunity to devote closer attention to particular needs. Within a single OP for the EMFF as stipulated by the EMFF regulation, structuring the OP along regional lines to take account of MS administrative and political organisation may assist in allowing maximum synergies with regional interventions of other funds and improving the efficiency of the delivery system. Support to fish catching sector should contribute to an effective reduction in fishing capacity. The most suitable architecture will have to be developed in partnership with stakeholders in Spain and in negotiations with the Commission.

The Spanish authorities are invited to reflect on how to reduce the current number of programmes and the corresponding administrative costs in relation to the implementation of the Structural Funds, an urgent need in a period of budgetary constraints. This could be achieved by grouping certain interventions (e.g. by categories of regions, by thematic field, etc.) and/or by eliminating current programmes with limited added value (e.g. the national ERDF Technical Assistance OP).

Taking into account the distribution of competences in employment, education and training among the national and the regional levels, the possibility of having one or more national thematic ESF OPs could be explored. The national ESF OP(s) would then cover the less, more developed and transition regions, but with a strong regional dimension. The thematic national coverage would entail a better alignment to the needs identified by the country specific recommendations and the national targets (i.e. youth unemployment, education, social inclusion) and would thus ease implementation.

Lessons could be drawn from the 2000-2006 and 2007-2013 programming periods, where the thematic ESF OP *Fight against Discrimination* has been proven successful in the integration of vulnerable groups facing diverse challenges for their integration into the labour market.

Regarding the EAFRD, in addition to 17 regional OPs, there are currently one National Rural Network programme and one National Framework. Spain is invited to carefully assess whether this latter should be continued in 2014-2020. Likewise, on the basis of current experience, the objectives and allocations of the National Rural Network programme should be reviewed[121].

5.1.3 Partnership Agreement of Spain 2014-2020

The new system of planning and programming of the EU Cohesion Policy for the period 2014-2020 collected, as noted above, the existence of an association agreement between the Member State and the Community institutions for programming the funds of Common Strategic Framework.

Partnership Agreement (PA) is a **strategic document** to be drawn up by the Government of Spain, in collaboration with partners, in particular national, regional and local public authorities, economic partners and agencies socials representatives of civil society. Also, the contract is prepared in dialogue with the European.

Regarding the participation of public entities or both central and regional administrations (regions and local authorities) is considered essential that there is close cooperation, coordination and cooperation between those authorities, so that in this way have the same fluid and information exchange channel to avoid unwanted overlaps and malfunctions when developing and implementing strategies that meet the needs of each territory. Consideration of common strategic approaches and the suitability of each in the territory should ensure efficiency in the design and implementation of the proceedings, both in terms of objectives achieved and resources used and avoid duplications that would impact on a Incorrect management of EU funds.

---

[121] EUROPEAN COMMISSION. *Position of the Commission Services on the development of Partnership Agreement and programmes in Spain for the period 2014-2020* [online]. 2012e [21.9.2013]. Available from: http://ec.europa.eu/regional_policy/what/future/pdf/partnership/es_position_paper.pdf.

Within the content of the PA should include, among other things, an analysis of the current situation in Spain and its autonomous communities, noting disparities and development needs and potential growth with reference to the thematic objectives defined by the Commission and territorial challenges of the proposed common Provisions Regulation. This in order to identify the challenges, weaknesses and opportunities for growth in the regions and territories, which is key to defining the objectives of the Association Agreement and the Operational Programmes and investment priorities[122].

5.1.4 Financial allocations for Spain in 2014-2020

The total allocation of the EU Cohesion Policy in Spain for the period 2014-2020 is **28,559.5** million EUR, of which approximately 7 % (2,040.4 million EUR) goes to the less developed regions, 47 % (13,399.5 million EUR) for transition regions, 37 % (11,074.4 million EUR) to the more developed. Outermost and northern sparsely populated regions have 1.7 % of the total amount. For the European Territorial Cooperation earmarked 2 % and for Youth Employment Initiative (additional allocation) about 3 %.

5.2 Administrative arrangements in Spain for 2014-2020 period

In general, administrative capacity in Spain to manage EU funds has proved to be adequate both at central and at regional level, including the *Managing Authorities* (MAs), *Intermediate Bodies* (IBs), beneficiaries and partners.

However, some weaknesses in the 2007-2013 management and control systems of certain IBs and a number of requirements in the 2014-2020 period (e.g. implementation of the performance framework and impact evaluation, greater use of financial instruments) may entail the development and reinforcement of certain tasks, with the corresponding training needs.

In some cases, improved guidance and information flows from the MAs to the IBs and from these to the beneficiaries (especially to those groups having more obstacles in accessing the funds, e.g. farmers) would be valuable to ease their participation.

[122] CONSEJO ECONOMICO DE ESPAÑA [online], 2013, ref. 116.

Reinforcing the coordination between the national and the regional public employment services is essential in order to improve the labour market intermediation system, the geographical labour mobility, the occupational and continuous training and the complementarily between active and passive labour market policies. To this aim, more human and technological resources should be devoted to them.

In order to reduce administrative burden for beneficiaries – in particular SMEs and small beneficiaries − the use of simplified costs (lump sums, flat rates for indirect costs, standard scales of unit costs) should be encouraged (so far only pilot studies have been carried out for a number of regions). This would reduce the error rate and increase the effectiveness of the actions implemented. The existence of common provisions for the CSF funds, including harmonised rules on eligibility and durability and a proportional approach to control, will also be a source of simplification.

Other options, like linking payments with results only − as provided for in the Joint Action Plans –, or further utilisation of global grants, should be exploited too.

The development of a friendly to use, one-stop-shop ICT system for electronic exchange of information with beneficiaries and advice services – in line with the e-Cohesion initiative foreseen in the Common Provisions Regulation − should be a priority. This system, on the one hand, should allow all IBs and beneficiaries to receive information and to easily upload and update data and, on the other, ensure a quality, timely and suited reporting to the Commission. So as to avoid delays in the take-off of the interventions, the system should be fully operational at the moment of the adoption of the programmes.

5.2.1 Management and control systems

The key principle of sound financial management remains the basis for the development of management and control systems in the next programming period. For the CSF Funds, Spain is encouraged to reflect on how sound financial management could be further enhanced.

For EU Cohesion Policy, the management and control systems for 2014-2020 should build on the positive achievements in the 2007-2013 period. For rural development, Spain should ensure an effective and efficient control environment and be able to confirm in advance the flexibility of its control systems.

5.2.2 Monitoring and evaluation

Monitoring and evaluation tasks in Spain have traditionally been carried out in a rather centralised way, the emphasis being put on financial absorption. For 2014-2020 the preparation and the implementation of programmes will need to be more focused on results. This will require adapting the corresponding monitoring and evaluation systems so as to be able to better track the physical progress of the operations, to improve the alert mechanisms when implementation is at risk, to carry out in-depth evaluations and to quickly translate their results into corrective measures.

Setting reliable targets and developing sound methodologies to capture the impact of the interventions are crucial. In this sense, building strong monitoring and evaluation capacities – also at regional level − should be a priority[123].

5.3 Commission's recommendations for Spain in 2014-2020 period

The *Country-specific Recommendations* are documents prepared by the European Commission for each country, analysing its economic situation and providing recommendations on measures it should adopt over the coming 18 months. They are tailored to the particular issues the Member State is facing and cover a broad range of topics: the state of public finances, reforms of pension systems, measures to create jobs and to fight unemployment, education and innovation challenges, etc. The final adoption of Country - specific Recommendations prepared by the Commission is done at the highest level by national leaders in the European Council.

5.3.1 Country overview

Overall, Spain continues to go through a deep structural adjustment following the build-up of large external and internal imbalances during the housing and credit boom. Adjustment needs remain large, while structural rigidities and financing constraints have been hindering a faster adaptation of the real economy and have aggravated the employment situation.

In response to the 2012 country specific recommendations, the government announced a comprehensive reform plan covering fiscal, labour market, education and product market reforms, as well as measures to improve the business environment.

[123] EUROPEAN COMMISSION [online], 2012e, ref. 120.

However, progress in implementation has been uneven as key reforms, such as the establishment of an independent fiscal council, a law on market unity and further liberalisation of professional services, have been delayed. While the proposed reform agenda is comprehensive and goes in the right direction, Spain should adopt and swiftly and effectively implement determined reforms so that they can start deploying the expected positive effects on growth and employment and support the correction of imbalances.

The main challenge for Spain is to boost economic growth and employment and correct the excessive macroeconomic imbalances. Continued fiscal consolidation and stronger fiscal institutions are needed to ensure sustainable public finances.

Completing financial sector repair and restructuring is paramount to support the real economy. Competitiveness and export capacity need to be further improved, while competition in domestic goods and services sectors is still insufficient. Most crucially, the labour market situation remains critical. Early school leaving and a vocational training system which is insufficiently tailored to market needs remain a problem.

5.3.2 European Commission's recommendations for Spain

The Spanish economy is undergoing deep structural changes. The Commission has issued nine country specific recommendations to Spain to support the *Reform Agenda* and to ensure its urgent implementation. The recommendations are in the areas of:

1. **Sustainable public finances**. Spain has made a sizeable consolidation effort in 2012 and 2013 towards correcting the excessive deficit. But fiscal consolidation needs to continue in order to rein in the increase in public debt and to bring public finances back onto a sustainable path. The objective of the Spanish budgetary strategy is to bring the general government deficit below the 3 % of GDP reference value by 2016;
2. **Efficiency of the tax system**. Although important measures were introduced in 2012 Spain can still make its tax system more efficient and can increase the share of more growth-friendly indirect taxes. Spain also needs to step up efforts to tackle tax fraud and evasion;

3. **Financial sector**. The Spanish financial sector adjustment programme is on track and Spain needs to continue implementing it in line with the agreed timetable;
4. **Labour market**. The situation on the Spanish labour market remains critical. There is a need to speed up and further complement the on-going reforms of activation policies, as well as to take stock of the effects of the labour market reform of 2012;
5. **Education**. Structural weaknesses in the education and training systems have contributed to the high youth unemployment rate and are still largely unresolved. Spain needs to implement all the planned reforms in the area of education;
6. **Social inclusion**. Poverty and social exclusion are on the rise in Spain, mainly as a result of the labour market situation, but also due limited effectiveness of social protection in reducing poverty. Measures need to be taken to improve the effectiveness of policies in this area;
7. **Business environment**. Spain needs to speed up reforms to address weaknesses in the business environment, such as barriers to doing business, and increase decisively competition in product and services markets;
8. **Energy and transport**. The potentially sizeable contingent liability for the budget implied by the electricity tariff deficit remains a non-negligible macroeconomic risk. Spain therefore needs to urgently complete the reform of the energy sector. Spain also needs to step up reform efforts in transport sector;
9. **Quality of public administration**. The highly decentralised structure of Spain calls for enhanced coordination between the various public administrations, both to reduce costs and to limit the administrative burden on companies and households[124].

Programming structure

The proposed 2014-2020 legislation for the CSF funds offers additional flexibility to set up programmes in each Member State to best match their institutional set-up. Cooperation at all levels is a key to achieving quality of spending.

[124] EUROPEAN COMMISSION. Europe 2020 in Spain. Commission's recommendation. *Ec.europe.eu* [online]. 2013d [23.01.2014]. Available from: http://ec.europa.eu/europe2020/europe-2020-in-your-country/espana/country-specific-recommendations/index_en.htm.

Annex I of the Commission's amended proposal for the Common Provision Regulation includes elements of the Common Strategic Framework and sets out different options for integrated approaches to programming, to achieve coordination and synergies during implementation, which MS are encouraged to explore.

For the ESF, the option to design thematic interregional OPs linked to the Europe 2020 targets and country specific recommendations may present opportunities too. For rural development, the option to draw up thematic sub-programmes within a rural development programme provides the opportunity to devote closer attention to particular needs. Within a single OP for the EMFF as stipulated by the EMFF regulation, structuring the OP along regional lines to take account of MS administrative and political organisation may assist in allowing maximum synergies with regional interventions of other funds and improving the efficiency of the delivery system. Support to fish catching sector should contribute to an effective reduction in fishing capacity. The most suitable architecture will have to be developed in partnership with stakeholders in Spain and in negotiations with the Commission.

Number of programmes and their territorial articulation

The Spanish authorities are invited to reflect on how to reduce the current number of programmes and the corresponding administrative costs in relation to the implementation of the Structural Funds, an urgent need in a period of budgetary constraints. This could be achieved by grouping certain interventions (e.g. by categories of regions, by thematic field, etc.) and/or by eliminating current programmes with limited added value (e.g. the national ERDF Technical Assistance OP).

Taking into account the distribution of competences in employment, education and training among the national and the regional levels, the possibility of having one or more national thematic ESF OPs could be explored. The national ESF OP(s) would then cover the less, more developed and transition regions, but with a strong regional dimension. The thematic national coverage would entail a better alignment to the needs identified by the country specific recommendations and the national targets (i.e. youth unemployment, education, social inclusion) and would thus ease implementation. Lessons could be drawn from the 2000-2006 and 2007-2013 programming periods, where the thematic ESF OP Fight against Discrimination has been proven successful in the integration of vulnerable groups facing diverse challenges for their integration into the labour market. The innovative approach of the OP strategy, together with the involvement of relevant public and private stakeholders were key to its success.

Regarding the EAFRD, in addition to 17 regional OPs, there are currently one National Rural Network programme and one National Framework. Spain is invited to carefully assess whether this latter should be continued in 2014-2020. Likewise, on the basis of current experience, the objectives and allocations of the National Rural Network programme should be reviewed[125].

5.4 The comparison of the EU Cohesion Policy structure between 2007-2013 and 2014-2020 periods in Spain

The last chapter of diploma thesis shows the differences of the EU Cohesion Policy between 2007-2013 and 2014-2020 periods in Spain, using the table-form elaboration. Table 5.1 shows the comparison of the EU Cohesion Policy structure and settings in programming periods 2007-2013 and 2014-2020.

Table 5.1: Comparison of the EU Cohesion Policy in Spain (2007-2020)

	2007-2013	2014-2020
Objectives/Goals	Convergence Regional Competitiveness and Employment European Territorial Cooperation	Investment in Growth and Jobs; European Territorial Cooperation
Strategic document	National Strategic Reference Framework	Partnership Agreement
Operational programmes	45	N/A[126]
Instruments	5	4
Allocation	35.217 bn EUR	28.56 bn EUR
Regions	Less developed regions High developed regions	Less developed regions Transition regions More developed regions

Source: Own elaboration, 2014

[125] CONSEJO ECONOMICO DE ESPAÑA [online], 2013, ref. 116.
[126] Not available during processing of the thesis.

The main rule of the 2014-2020 is making the EU Cohesion Policy more simply in all EU Member States. Simplification has been one of the most popular demands for the CP in this period, as we can see in the result of comparison between two programming periods in the Table 5.1. As we can see in chapter 4.3, Spain has not drawn funds effectively in the period of 2007-2013.

In this programming period Spain has about 10 % less of the financial allocation in comparison with the last period. Spain is undergoing a deep crisis that has halted its convergence process, so we can expect that in the period 2014-2020 Spain will repair all mistakes that were made in 2007-2013 period, will effectively use the EU Funds that provides the EU Cohesion Policy.

6 Conclusion

The contemporary European Union represents a community of European countries that share a common history, values and objectives. The European Union aims to increase the standard of living and quality of live for all EU citizen, use its resources to reduce gaps in economic development among its members, and thus establish a more socially and economically cohesive solidarity among the EU Member States. To achieve this objective, there is a policy with shared competencies between the EU institutions and the Member States called the EU Cohesion Policy. The European Union is being currently influenced by many changes in global economy and it has to face many challenges that come from inside or outside of the Union. Inner pressures, which came out mainly from different socio-economic performance and large disparities between rich and poor regions of the European Union, are the reason for the existence of the EU Cohesion Policy. A promotion of economic, social and territorial cohesion by ensuring distribution of wealth across the EU regions became the main task. In addition to that, this kind of investment policy focuses on increasing of competitiveness of more developed regions. The EU Cohesion Policy has very deep foundation in the functioning of the EU and it is one of the most dynamic policies. The functioning of the EU is based on multi-annual cycles. In the diploma thesis programming periods 2007-2013 and 2014-2020 there were analysed. It talks about the legislative and financial framework, objectives, instruments, programming structure and responsible authorities for its implementation.

On 26 July 1977, the Spanish Government submitted its request to join the European Economic Community, which culminated eight years later, on 12 June 1985, with the signing of the *Treaty of Accession in Madrid* and the country's integration into the Economic Community on 1 January 1986. The economic, social and political transformation in Spain since this time has been enormous, partly due to the large amount of regional and Cohesion Funds having accelerated the development of most of the regions in Spain. In June 1989, three-and-a-half years after Spain joined the EEC, the country's national currency, the peseta, was included into the European Monetary System's. In June 1991, Spain signed the Schengen Agreement that, initially, saw eight countries eliminate internal border controls to create a 'Europe without Borders'. This came into force in March 1995 and was progressively joined by almost all the other Member States.

The main aim of diploma thesis is to introduce, describe and compare the EU Cohesion Policy in Spain in the programming periods 2007-2013 and 2014-2020. In the second chapter of the diploma thesis, the role and importance, genesis and history, in the programming periods 2007-2013 and 2014-2020 of the EU Cohesion Policy is generally described. The third chapter is dedicated to report the socio-economic characteristics and regional structure of the Kingdom of Spain. Practical part of the diploma thesis, in the 4th and 5th chapters, analysed the implementation and the evaluation of the programming period 2007-2013 and the implications of the EU Cohesion Policy in Spain for 2014-2020 period. Finally, a comparison of the last and current programming period in the Kingdom of Spain is made. An important feature of the EU Cohesion Policy 2014-2020 is a simplification of the whole system. The aim is to reduce the overall administrative burden and complexity of the assistance process of obtaining EU Funds. From the foregoing, follows that the aim of the diploma thesis was fulfilled.

For 2007-2013 period it has been allocated **35.217 bn EUR** in Spain. By region and type of EU Funds, investments financed by the Cohesion Fund reach the highest level of performance with 51.7 % of the total scheduled and ERDF only 35.8 %. Regarding the ERDF Competitiveness regions presented a financial efficiency of 35.8 %, slightly higher than the pure convergence regions, phasing out and phasing in is the 35.7 %. Phasing out regions were showing a greater degree of implementation, 57.8 %. The ESF expenditure forecast for the period 2007-2013 in Spain is approximately 8,057 million EUR. The accumulated set of ESF expenditure totalled 3,643 million EUR, representing a cumulative financial efficiency of 45 % compared to all scheduled for 2007-2013 total on the date of 31.12.2011. After five years of implementing the EU Cohesion Policy programming framework, the results observed from the data on total expenditure declared to 31st December 2011 show that the investment made to date amounts to 13,355,000 EUR, what a programmed total of 35,217,000 EUR, accounting for **37.8 %** of the total allocation for the whole period. In accordance with the results observed in the chapter four on total expenditure declared, Spain has not drawn the EU Structural Funds effectively, i.e. Spain has used **less than 50 %** of the provided nominal allocations, thereby not confirm the hypothesis, which was established in the introduction of the diploma thesis.

In any case, the EU Cohesion Policy had a positive impact on the overall economic situation in Spain in the programming period 2007-2013. The number of jobs created increased by 33 %. Relatively modest increases were also registered in the number of direct investment aids to SMEs 27 % and induced investment 23 %, whereas the number of benefited companies only grew by 11 %. Some achievements to be highlighted are 5,839 large research and equipment Research Technology and Development projects supporting to an important extent the operation of the Spanish public system of science and technology (amounting to 42 %). Finally, 586 km of high speed train lines, as well as 509 km of new roads and 186 km of Trans-European Networks roads were built. Environmental infrastructures in water distribution and water treatment systems served an additional population of 2.2 and 3.4 million respectively.

References

Books

1. ARGUELLES VELEZ, Margarita. *Economia y Politica Regional en España*. Madrid: Delta, 2010. 216 p. ISBN 978-84-92-45331-3.
2. DAVIES, Sylvie. *The Financial Management, Control and Audit of EU Cohesion Policy.* Glasgow: University of Strathclyde, 2008. 132 p. ISBN 978-8-738-12125-2.
3. LEONARDI, Robert. *Cohesion Policy in the European Union: The building of Europe.* New York: Palgrave Macmillan, 2005. 215 p. ISBN 1-4039-4955-7.
4. MOLLE, Willem. *European Cohesion Policy.* London: Routledge, 2007. 347 p. ISBN 978-0-415-43812-4.
5. PERÉZ, Simon. *2017 El final de la crisis.* Momento, 2014. 338 p. ISBN 978-8-466-65507-1.
6. TORRES LOPEZ, Juan. *Economia politica.* Piramide, 2013. 504 p. ISBN 978-8-436-82940-2.

Electronic sources

7. ASSEMBLY OF EUROPEAN REGIONS. *Common Strategic Framework 2014-2020* [online]. 2012 [14.02.2014]. Available from: http://www.aer.eu/fileadmin/user_upload/MainIssues/CohesionRegionalPolicy/2012/DEF-EN-AER-CSF.pdf.
8. CONSEJO ECONOMICO DE ESPAÑA. *Acuerdo de Asociacion de España en el marco de la Politica de Cohesion 2014-2020* [online]. 2013 [30.03.2014]. Available from: http://www.ces.es/documents/10180/526241/Inf0213.pdf.
9. COUNCIL OF THE EUROPEAN UNION. *Conclusions: Multiannual financial framework* [online]. 2013a [20.02.2014]. Available from: http://consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/135344.pdf.
10. COUNCIL OF THE EUROPEAN UNION. *Conclusions: Multiannual Financial Framework* [online]. 2013b [24.02.2014]. Available from: http://consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/135344.pdf.

11. COUNCIL OF THE EUROPEAN UNION. *Financial Perspective 2007 – 2013* [online]. 2005 [22.02.2014]. Available from: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/misc/87677 pdf.
12. EUROPEAN COMMISSION. *Amended proposal for a Council Regulation laying down the multiannual financial framework for the years 2014 – 2020* [online]. 2012d [16.02.2014]. Available from: http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2012:0388:FIN:EN: PDF.
13. EUROPEAN COMMISSION. *Cohesion Policy 2007-2013 National Strategic Reference Frameworks* [online]. 2008b [06.03.2014]. Available from: http://ec.europa.eu/regional_policy/atlas2007/fiche/nsrf.pdf.
14. EUROPEAN COMMISSION. *Cohesion Policy 2007-2013. Commentaries and official texts* [online]. 2007 [20.01.2014]. Available from: http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2007/p ublications/guide2007_en.pdf.
15. EUROPEAN COMMISSION. *Cohesion Policy 2014-2020. Investing in Europe's region's* [online]. 2011b [3.02.2014]. Available from: http://ec.europa.eu/regional_policy/sources/docgener/panorama/pdf/mag40/mag40 _en.pdf.
16. EUROPEAN COMMISSION. *Cohesion Policy eligibility 2014-2020* [online]. 2014d [18.03.2014]. Available from: http://ec.europa.eu/regional_policy/what/future/img/eligibility20142020.pdf.
17. EUROPEAN COMMISSION. *Commission staff working document. Financial Instruments in Cohesion Policy* [online]. 2012a [21.01.2014]. Available from: http://ec.europa.eu/regional_policy/sources/docoffic/official/communic/financial/fi nancial_instruments_2012_en.pdf.
18. EUROPEAN COMMISSION. *EU Cohesion Policy 1988-2008: Investing in Europe's future* [online]. 2008a [15.10.2013]. Available from: http://ec.europa.eu/regional_policy/sources/docgener/panorama/pdf/mag26/mag26 _en.pdf.

19. EUROPEAN COMMISSION. *European Cohesion Policy in Spain* [online]. 2013c [10.03.2014]. Available from: http://ec.europa.eu/regional_policy/sources/docgener/informat/country2009/es_en.pdf.
20. EUROPEAN COMMISSION. *Ex-Post Evaluation of the 1989-1993. Objective 2 programmes* [online]. 2010a [11.10.2013]. Available from: http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/4_full_en.pdf.
21. EUROPEAN COMMISSION. *Final Simplification Scoreboard for the MFF 2014-2020* [online]. 2014a [15.02.2014]. Available from: http://ec.europa.eu/transparency/regdoc/rep/1/2014/EN/1-2014-114-EN-F1-1.Pdf.
22. EUROPEAN COMMISSION. *Financial Instruments in Cohesion Policy 2014-2020* [online]. 2014b [8.02.2014]. Available from: http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/financial_instruments_en.pdf.
23. EUROPEAN COMMISSION. *Financial instruments in ESIF programmes 2014-2020* [online]. 2014c [18.03.2014]. Available from: http://ec.europa.eu/regional_policy/thefunds/fin_inst/pdf/fi_esif_2014_2020.pdf.
24. EUROPEAN COMMISSION. *History of the European Union Regional Policy* [online]. 2013a [21.9.2013]. Available from: http://ec.europa.eu/regional_policy/what/milestones/index_en.cfm.
25. EUROPEAN COMMISSION. *Position of the Commission Services on the development of Partnership Agreement and programmes in Spain for the period 2014-2020* [online]. 2012e [21.9.2013]. Available from: http://ec.europa.eu/regional_policy/what/future/pdf/partnership/es_position_paper.pdf.
26. EUROPEAN COMMISSION. *Proposal for a Regulation of the European Parliament and of the Council on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal* [online]. 2012b [10.02.2014]. Available from: http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/etc/etc_proposal_en.pdf.

27. EUROPEAN COMMISSION. *Proposal for a Regulation of the European Parliament and of the Council on the Cohesion Fund and repealing Council Regulation (EC) No 1084/2006* [online]. 2012c [11.02.2014]. Available from: http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/cohesi on/cohesion_proposal_en.pdf.
28. EUROPEAN COMMISSION. *Proposal for a Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Council Regulation (EC) No 1083/2006* [online]. 2011c [22.01.2014]. Available from: http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=com:2011:0615:fin:en:pdf.
29. EUROPEAN COMMISSION. *Proposal for a Regulation of the European Parliament and of the Council on the European Globalisation Adjustment Fund (2014-2020)* [online]. 2011d [12.02.2014]. Available from: http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/egf/egf_proposal_en.pdf.
30. EUROPEAN COMMISSION. *Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005* [online]. 2013b [11.02.2014]. Available from: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R1305&from=EN.
31. EUROPEAN COMMISSION. *Regulation of the European Parliament and of the Council* [online]. 2011a [3.02.2014]. Available from: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0615:FIN:EN:PDF.
32. EUROPEAN COMMISSION. *Simplifying Cohesion Policy for 2014-2020* [online]. 2012d [22.02.2014]. Available from: http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/simplification_en.pdf.

33. EUROPEAN COMMISSION. *The turning points of EU Cohesion policy* [online]. 2009 [online]. 2009 [21.9.2013]. Available from: http://ec.europa.eu/regional_policy/archive/policy/future/pdf/8_manzella_final-formatted.pdf.
34. EUROPEAN ECONOMIC AND SOCIAL COMMITTEE. *Regulation on European Territorial Cooperation* [online]. 2012 [3.02.2014]. Available from: http://www.eesc.europa.eu/?i=portal.en.eco-opinions.22407.
35. EUROPEAN POLICIES RESEARCH CENTER. *Can EU Cohesion policy deliver on expectations in 2014-2020?* [online]. 2013 [25.02.2014]. Available from: http://www.regionalstudies.org/uploads/Can_EU_Cohesion_policy_deliver_on_expectations_in_2014-2020_-_John_Bachtler.pdf.
36. EUROSTAT. *Regions in the European Union. Nomenclature of territorial units for statistics* [online]. 2007 [01.03.2014]. Available from: http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-RA-07-020/EN/KS-RA-07-020-EN.PDF.
37. GOBIERNO DE ESPAÑA. *Banco de España: Spanish economic projections report* [online]. 2014a [05.03.2014]. Available from: http://www.bde.es/f/webbde/SES/Secciones/Publicaciones/InformesBoletinesRevistas/BoletinEconomico/14/Mar/Files/be1403e-project.pdf.
38. GOBIERNO DE ESPAÑA. MINISTERIO DE HACIENDA Y ADMINISTRACIONES PÚBLICAS. *Marco Estratégico Nacional de Refencia 2007-2013* [online]. 2007 [05.03.2014]. Available from: http://www.dgfc.sgpg.meh.es/sitios/dgfc/esES/ipr/fcp0713/p/menr/Documents/(488)MarcoEstratgicoNacionaldeReferencia.pdf.
39. GOBIERNO DE ESPAÑA. MINISTERIO DE HACIENDA Y ADMINISTRACIONES PÚBLICAS. *El acuerdo de las perpectivas financieras 2007-2013* [online]. 2008 [05.03.2014]. Available from: http://www.dgfc.sgpg.meh.es/sitios/dgfc/esES/ipr/fcp0713/p/npf0713/Documents/52_ZamoraKaiser.pdf.

40. GOBIERNO DE ESPAÑA. MINISTERIO DE HACIENDA Y ADMINISTRACIONES PÚBLICAS. *Siguimiento estrategico. Informe 2012* [online]. 2013 [07.03.2014]. Available from: http://www.dgfc.sgpg.meh.es/sitios/dgfc/esES/ipr/fcp0713/e/ie/se/Documents/Informe_2012.pdf.
41. GOBIERNO DE ESPAÑA. MINISTERIO DE HACIENDA Y ADMINISTRACIONES PÚBLICAS. *Acuerdo de Asociacion 2014-2020* [online]. 2014b [30.03.2014]. Available from: http://www.dgfc.sgpg.meh.es/sitios/dgfc/es-ES/ipr/fcp1420/p/pa/Paginas/inicio.aspx.
42. GOBIERNO DE ESPAÑA. MINISTERIO DE HACIENDA Y ADMINISTRACIONES PÚBLICAS. *La Politica Regional y sus instrumentos* [online]. 2014c [30.03.2014]. Available from: http://www.dgfc.sgpg.meh.es/sitios/dgfc/es-ES/ipr/fcp1420/Documents/Fondos_comunitarios_Resumen.pdf.

Web pages:

43. CENTRAL INTELLIGENCE AGENCY. The world factbook. *Cia.gov* [online]. 2014 [01.03.2014]. Available from: https://www.cia.gov/library/publications/the-world-factbook/geos/sp.html.
44. COMMONS WIKIMEDIA. Autonomous communities of Spain. *Commons.wikimedia.org* [online]. 2010 [01.03.2014]. Available from: http://commons.wikimedia.org/wiki/File:Autonomous-communities-of-spain-01.png.
45. EURACTIV. EU Cohesion Policy 2014-2020. *Euractiv.com* [online]. 2014 [3.02.2014]. Available from: http://www.euractiv.com/regional-policy/eu-cohesion-policy-2014-2020-linksdossier-501653.
46. EUROPEAN COMMISSION. Cohesion Policy 2014-2020. Financial allocations 2014-2020 *Ec.europe.eu* [online]. 2014j [15.02.2014]. Available from: http://ec.europa.eu/regional_policy/what/future/index_en.cfm.
47. EUROPEAN COMMISSION. Cohesion Policy 2014-2020. Latest News. *Ec.europe.eu* [online]. 2014i [15.02.2014]. Available from: http://ec.europa.eu/regional_policy/what/future/index_en.cfm.

48. EUROPEAN COMMISSION. Enlargement. Overview - Instrument for Pre-accession Assistance. *Ec.europe.eu* [online]. 2014g [12.02.2014]. Available from: http://ec.europa.eu/enlargement/instruments/overview/index_en.htm.
49. EUROPEAN COMMISSION. Europe 2020 in Spain. Commission's recommendation. *Ec.europe.eu* [online]. 2013d [23.01.2014]. Available from: http://ec.europa.eu/europe2020/europe-2020-in-your-country/espana/country-specific-recommendations/index_en.htm.
50. EUROPEAN COMMISSION. Fisheries. European Maritime and Fisheries Fund. *Ec.europe.eu* [online]. 2014f [10.02.2014]. Available from: http://ec.europa.eu/fisheries/reform/emff/index_en.htm.
51. EUROPEAN COMMISSION. History of NUTS. *Epp.eurostat.ec.europa.eu* [online]. 2013b [23.01.2014]. Available from: http://epp.eurostat.ec.europa.eu/portal/page/portal/nuts_nomenclature/history_nuts.
52. EUROPEAN COMMISSION. Legal text. Guidelines 2007-2013**.** *Ec.europe.eu* [online]. 2014c [23.01.2014]. Available from: http://ec.europa.eu/regional_policy/information/guidelines/archives_2007_2013_en.cfm#4.
53. EUROPEAN COMMISSION. Legal text. Structural Funds Regulations 2007-2013**.** *Ec.europe.eu* [online]. 2014b [23.01.2014]. Available from: http://ec.europa.eu/regional_policy/information/legislation/archives_2007_2013_en.cfm.
54. EUROPEAN COMMISSION. Legal texts. European Structural and Investment Funds Regulations 2014-2020**.** *Ec.europe.eu* [online]. 2014h [15.02.2014]. Available from: http://ec.europa.eu/regional_policy/information/legislation/index_en.cfm.
55. EUROPEAN COMMISSION. Managing authorities. *Ec.europe.eu* [online]. 2013c [23.03.2014]. Available from: http://ec.europa.eu/regional_policy/manage/authority/authorities.cfm?lan=EN&pay=es#2.
56. EUROPEAN COMMISSION. Regional Development Programmes 2007-2013 *Ec.europe.eu* [online]. 2012 [10.02.2014]. Available from: http://ec.europa.eu/regional_policy/country/prordn/search.cfm?gv_pay=ES&gv_reg=ALL&gv_obj=ALL&gv_the=ALL&lan=EN&gv_per=2.

57. EUROPEAN COMMISSION. The Funds. EU Solidarity Fund. *Ec.europe.eu* [online]. 2014a [23.01.2014]. Available from: http://ec.europa.eu/regional_policy/thefunds/solidarity/index_en.cfm.
58. EUROPEAN COMMISSION. The Funds. European Regional Development Fund**.** *Ec.europe.eu* [online]. 2014d [10.02.2014]. Available from: http://ec.europa.eu/regional_policy/thefunds/regional/index_en.cfm.
59. EUROPEAN COMMISSION. The Funds. European Social Fund**.** *Ec.europe.eu* [online]. 2014e [10.02.2014]. Available from: http://ec.europa.eu/regional_policy/thefunds/social/index_en.cfm.
60. EUROPEAN COMMISSION. The Funds. Special Support instruments. *Ec.europe.eu* [online]. 2013a [23.01.2014]. Available from: http://ec.europa.eu/regional_policy/thefunds/instruments/index_en.cfm.
61. EUROPEAN INVESTMENT BANK. Compliance. *Eib.org* [online]. 2013 [21.9.2013]. Available from: http: http://www.eib.org/about/compliance/index.htm.
62. EUROPEAN INVESTMENT BANK. EIB publishes an academic history of the Bank: The Bank of the European Union. The EIB, 1958-2008. *Eib.org* [online]. 2009 [21.9.2013]. Available from: http://www.eib.org/infocentre/press/news/all/50years_book.htm.
63. EUROPEAN INVESTMENT FUND. Equity products. *Eif.org.* [online]. 2013 [23.01.2014]. Available from: http://www.eif.org/what_we_do/equity/index.htm**.**
64. EUROPEAN PARLIAMENT. The Solidarity Fund. *Europarl.europe.eu* [online]. 2013 [12.02.2014]. Available from: http://www.europarl.europa.eu/aboutparliament/en/displayFtu.html?ftuId=FTU_5.1.4.html.
65. EUROPEAN UNION. General provisions ERDF - ESF - Cohesion Fund (2007-2013). *Europe.eu* [online]. 2013a [26.01.2014]. Available from: http://europa.eu/legislation_summaries/agriculture/general_framework/g24231_en.htm.
66. EUROPEAN UNION. Instrument for Pre-Accession Assistance. *Europe.eu* [online]. 2012 [26.01.2014]. Available from: http://europa.eu/legislation_summaries/agriculture/enlargement/e50020_en.htm.

67. EUROPEAN UNION. Instrument for Pre-Accession Assistance. *Europe.eu* [online]. 2013b [27.02.2014]. Available from: http://europa.eu/legislation_summaries/agriculture/enlargement/e50020_en.htm.
68. EUROSTAT. Harmonised unemployment rate by sex. *Epp.eurostat.ec.europa.eu* [online]. 2013b [01.03.2014]. Available from: http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&language=en&pcode=teilm020&tableSelection=1&plugin=1.
69. EUROSTAT. Population. *Epp.eurostat.ec.europa.eu* [online]. 2013a [01.03.2014]. Available from: http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&language=en&pcode=tps00001&tableSelection=1&footnotes=yes&labeling=labels&plugin=1.
70. GOBIERNO DE ESPAÑA. MINISTERIO DE HACIENDA Y ADMINISTRACIONES PÚBLICAS. Regional Policy and its instruments [online]. 2013 [05.03.2014]. Available from: http://www.dgfc.sgpg.meh.es/sitios/DGFC/en-GB/ipr/Paginas/inicio.aspx.
71. INSTITUTO NACIONAL DE ESTADISTICAS. Tasas de actividad, paro y empleo, por sexo y distintos grupos de edad, por comunidad autónoma**.** *Ine.es* [online]. 2014 [01.03.2014]. Available from: http://www.ine.es/jaxiBD/tabla.do?per=03&type=db&divi=EPA&idtab=28.
72. MINISTERIO DE INDUSTRIA, ENERGIA Y TURISMO. Plan Nacional e Integral de Turismo 2012-2015. *Tourspain.es* [online]. 2014 [01.03.2014]. Available from: http://www.tourspain.es/es-es/VDE/Paginas/PNIT.aspx.
73. SECRETARIA DE ESTADO DE ADMINISTRACIONES PUBLICAS. Administraciones Autonómicas. *Seap.minhap.es* [online]. 2014a [01.03.2014]. Available from: http://www.tourspain.es/es-es/VDE/Paginas/PNIT.aspx.
74. SECRETARIA DE ESTADO DE ADMINISTRACIONES PUBLICAS. Política Autonómica. *Seap.minhap.es* [online]. 2014b [01.03.2014]. Available from: http://www.tourspain.es/es-es/VDE/Paginas/PNIT.aspx.

List of abbreviations

CAP	Common Agriculture Policy
CBC	Cross-border cooperation
CEF	Connecting Europe Facility
CF	Cohesion Found
EUCP	European Union Cohesion Policy
CSF	Community Support Framework
CSG	Community Strategic Guidelines
EAFRD	European Agricultural Fund for Rural Development
EAGGF	European Agricultural Guarantee Fund
EBD	Europe Development Bank
EC	European Commission
ECC	European Economic Community
ECU	European Currency Unit
EFF	European Fisheries Fund
EGTC	European Grouping of Territorial Cooperation
EIB	European Investment Bank
EIF	European Investment Fund
EMFF	European Maritime and Fisheries Fund
EMU	European Monetary Union
ERDF	European Regional Development Fund
ESF	European Social Fund
ESIF	European Structural and Investment Funds
EU	European Union
EUSF	European Union Solidarity Fund
FIFG	Financial Instrument for Fisheries Guidance
GDP	Gross Domestic Product
GNI	Gross National Income
IBs	Intermediate Bodies
IMF	International Monetary Fund
IPA	Instrument for Pre-Accession Assistance
JASMINE	Joint Action to Support Micro-finance Institutions in Europe

JASPER	Joint Assistance to Support Projects in European Regions
JEREMIE	Joint European Resources for Micro to Medium Enterprises
JESSICA	Joint European Support for Sustainable Investment in City Areas
MAs	Managing Authorities
MFF	Multiannual financial framework
NDP	National Development Plan
NMS	New Member State
NRP	National Reform Programme
NSRF	National Strategic Reference Framework
NUTS	Nomenclature of Units for Territorial Statistics
OECD	Organisation for Economic Co-operation and Development
OP	Operational Programme
P. A.	Present accounts
PA	Partnership Agreement
SITP	Strategic Infrastructures and Transport Plan
R&D	Research and Development
SEA	Single European Market
SMEs	Small and medium enterprises
SPD	Single Programming Document
TEN-T	Trans-European Transport Networks
UK	United Kingdom
WTO	World Trade Organisation

List of tables

List of figures

Statement about the use of diploma thesis outcomes

Hereby I declare that

- I have been informed that Act No. 121/2000 Coll. – the Copyright Act, in particular, Section 35 – Utilization of the Work as a Part of Civil and Religious Ceremonies, as a Part of School Performances and the Utilization of School Work – and Section 60 – School Work, fully applies to my diploma thesis;

- I take into account that the VŠB – Technical University of Ostrava (hereinafter as VŠB-TUO) has the right to utilize the diploma thesis (under Section 35(3)) unprofitably and for own use;

- I agree that the diploma thesis shall be archived in the electronic form in VŠB-TUO Central Library and one copy shall be kept by the supervisor of the diploma thesis. I agree that the bibliographic information about the diploma thesis shall be published in VŠB-TUO information system;

- It was agreed that, in case of VŠB-TUO interest, I shall enter into a license agreement with VŠB-TUO, granting the authorization to utilize the work in the scope of Section 12(4) of the Copyright Act;

- It was agreed that I may utilize my work, the diploma thesis, or provide a license to utilize it only with the consent of VŠB-TUO, which is entitled, in such a case, to claim an adequate contribution from me to cover the cost expended by VŠB-TUO for producing the work (up to its real amount).

In Ostrava, 25th April 2014

....

Bc. Elena Corsak

List of enclosures